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ABSTRACT

These three issues of 2000-2001 "Focus" present a collection of papers focusing on issues related to poverty. The first issue discusses child support enforcement policy and low-income families, highlighting such issues as fragile families and child wellbeing; low-income families and the child support enforcement system; child support enforcement policies and never-married mothers; reshaping child support strategies for welfare families; the welfarization of family law; and child support policy regimes in the United States, United Kingdom, and other countries. The second issue focuses on understanding poverty, including such topics as mobility, persistence, and the intergenerational determinants of children's success; health policies for the nonelderly poor; reducing poverty through human capital investments; redefining the social contract for poor citizen families with children; housing discrimination and residential segregation as causes of poverty; and the role of group affiliations in determining socioeconomic outcomes. The third issue highlights such topics as evaluating welfare reform in an era of transition; the private food assistance network; medical spending, health insurance, and the measurement of U.S. poverty; incarceration, unemployment, and inequality; racial disparities in imprisonment; and United States poverty in a cross-national context. (SM)

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# FOCUS
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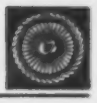

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# Child support enforcement policy and low-income families

Official statistics tell us that about half of all American children will spend part of their childhood living in single-parent, overwhelmingly single-mother, families. Because single-parent families with minor children are the most economically vulnerable families—over 40 percent fall below the official poverty line—government has come to play a major role in the way society ensures support for minor children who have one parent living elsewhere.

Since 1974, federal policy has become steadily more prescriptive and far-reaching (p. 3). Grounding its actions in the strong belief that the responsibility for financially supporting children rests with their biological parents, government has targeted all stages in the process by which parents no longer living with their children are induced or compelled to meet that responsibility, whether the children were born inside or outside marriage. This policy direction is fundamentally different from that pursued by most European countries, which have viewed the economic support of children as a joint responsibility of parents and the state (p. 72). New state and federal agencies, with expanded budgets and extensive information-gathering powers, have been created to replace the previous decentralized approach to child support, based largely in local court systems. The

scope of this national and local effort makes it imperative to ask how well it is doing, in what ways and under what arrangements it is doing well, for whom it is doing well, and where changes in course are warranted.

Because of the intimate link of child support to poverty and welfare, researchers associated with the Institute for Research on Poverty have played a primary role in data collection, research, and evaluation studies since the mid-1970s. IRP is currently evaluating a potentially important policy innovation by a state government, the Wisconsin Child Support Demonstration (for the policy and its evaluation, see p. 42). Because the research literature on child support is extensive and its terms of reference often obscure, this issue of *Focus* provides a map of the policy terrain, with a particular emphasis on how the child support enforcement system affects low-income families.

We start with an article that suggests that our current family portrait is incomplete (p. 5). The article does not portray a society divided between stable married families with children and families headed by single adults; it reveals a far more complete picture, including families that bear a strong resemblance to the traditional model: father and mother, living together, raising their biological children, but more likely not to be married to each other than in times past. This is a change with major implications for children's lives and for the government policies that seek to ensure their economic well-being if the family breaks apart.

## How successful has child support enforcement been?

Despite a quarter century of public effort to improve private child support, the proportion of single mothers receiving child support has remained unchanged at about 30 percent. Does this imply that the great public effort has failed? Not necessarily. The research reported here suggests that providing for the support of children in single-parent families is an increasingly challenging endeavor, and that without the extraordinary public effort of the last two decades, the record would be far worse.

Two sets of articles explore the complex social realities that policy must confront from the perspective of the main stakeholders—fathers, mothers, and children. The articles explore the effects of child support enforcement policies especially on the poorest of families—unmarried couples aptly described as "fragile families"(p. 9).

Largely drawing upon ethnographic evidence, the articles on fathers (pp. 9–26) show that the image of "deadbeat dads" that has played an important role in shaping current child support policies is at best incomplete. For example, many unmarried fathers formally liable for child support are actually cohabiting with the mother of their children. The articles suggest, further, that enforcement policies, such as wage withholding, that are effective for parents in stable employment may be ineffective for very poor families. First, they appear to run counter to strongly held social values of the appropriate roles of parents (pp. 12, 80). Second, some policies contain built-in economic incentives toward noncompliance and evasion. For example, in the case of families receiving welfare, most or all child support paid on behalf of welfare recipients goes not to the children but to the state, to offset the cost of public assistance to those families. Payments may simply be seen as another tax rather than a real contribution to one's children. Child support policies appear, moreover, to have run into a brick wall of persistent poverty. The men in these studies work irregularly at the lowest-wage jobs, mostly without benefits. The very low income fathers in the Parents' Fair Share study (p. 23) had average annual earnings of under $6,000, in an era of unparalleled economic growth and vanishing unemployment (the average for all nonresident fathers is around $25,000).

Next we shift focus to mothers and children (pp. 27–37). In the last two decades, more children who enter the child support system have been born to never-married women than to formerly married women. Because never-married women are less likely to receive child support, this is one plausible reason that child support policies appear not to be working very well. Taking this into account, the articles on mothers and children show that enforcement policies are quite successful in improving the circumstances of *those families that receive it*. The policies have increased the numbers of fathers who pay something and the size and reliability of those payments, in particular for never-married women. Even though the primary income source for single mothers is (and always has been) their earnings (see p. 31), child support payments of a few hundred dollars can make a real difference in children's standard of living when those earnings are low.

## Pieces of the puzzle

From the experiences of parents and children, we turn to the components of child support enforcement, trying to establish which innovations in policy have worked, which appear to be ineffective. These articles focus on two central questions: are families better off economically as a result of the reforms, and are nonresident parents more involved in the lives of their children? At the same time they seek to explain the essentials of the administrative system and procedures.

Resident parents and state agencies attempt to secure financial support from nonresident parents through a series of well-defined legal and administrative steps. At any one of these points, the process may fail, especially for families receiving public assistance (p. 46).

For unmarried women, it is first necessary to legally determine who is the father of their child. Next, a support order must be obtained through the agency or the courts. In the United States, the amount of an order is set according to state-determined guidelines which must be followed unless the court or agency finds strong reason otherwise (p. 58).

## Major Changes in Federal Laws Affecting Child Support Enforcement

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| 1975 | Federal legislation added Part D to Title IV of the Social Security Act, providing federal matching funds to states for child support enforcement for AFDC cases and creating a separate unit within the federal Department of Health, Education, and Welfare (now Health and Human Services) to establish standards for states, provide them with technical assistance, evaluate and review state plans and program operations, and certify cases for referral to the federal courts and the IRS for enforcement and collection. Each recipient of AFDC was required to assign support rights to the state and cooperate in establishing paternity and securing support. A disregard policy was established (it was later made a "permanent" part of the IV-D program), and an audit division was created within the program. |
| 1976–78, 1980–82 | These years saw federal laws extending and strengthening the information-gathering and enforcement powers of state child support agencies under Title IV-D. In 1977, for example, PL 95-142 established a medical support enforcement program under which states could require Medicaid applicants to assign to the states their right to medical support. In 1980, PL 96-272 amended Title IV-D to provide incentive payments to the states for non-AFDC case enforcement also. |
| 1984 | The Child Support Amendments (PL 98-378) mandated that states establish improved enforcement mechanisms, including expedited procedures for establishing orders and collecting support. They required that states provide equal services for welfare and nonwelfare families, revised federal auditing procedures and incentive payments, and required states to implement mandatory wage withholding for delinquent cases. New funding was made available for developing automated systems, including those for interstate enforcement. |
| 1988 | The Family Support Act (PL 100-485) contained several provisions to strengthen enforcement on AFDC cases. It required states to set guidelines for use in awarding child support and provided for review and adjustment every three years in AFDC cases. It set standards for state establishment of paternity, encouraging them to do so using noncriminal procedures, and reimbursing the costs of paternity testing. It required immediate wage withholding for all new or modified orders being enforced by states, beginning in November 1990 (before this, only two states used wage withholding in nondelinquent cases). All states were required to develop and put in place statewide automated tracking and monitoring systems by October 1995, or face federal penalties. |
| 1989–90, 1992–94 | Each year saw expanded state mandates or penalties on individuals for noncompliance. For example, PL 102–521 (1992) imposed criminal penalties for wilful failure to pay past due child support obligations. PL 103–66 (1993) increased the percentage of children for whom a state must establish paternity and required states to adopt laws mandating civil procedures for the voluntary acknowledgment of paternity. |
| 1996 | The Personal Responsibility and Work Opportunity Reconciliation Act (PL 104-193) required that states operate a child support program that met federal mandates in order to be eligible for block grants under Temporary Assistance for Needy Families. States were required to expand their efforts in income withholding, paternity establishment, enforcement of orders, and the use of central registries. The act provided for uniform rules, procedures, and forms for interstate cases. It established a Federal Case Registry and National Directory of New Hires to track delinquent parents across state lines. The act altered the federal and state shares of the $50 disregard to families receiving public assistance on whose behalf child support payments were made and eliminated the mandate on the states to provide for a disregard. |
| 1997– | Legislative activity in the area of child support has included a bill giving states the option to pass through directly to a family receiving assistance under TANF all child support collected by the state and to disregard any child support that the family receives in determining its eligibility for TANF assistance. Legislation is also pending to lessen or remove penalties imposed on states that have failed to meet federal deadlines for an operational automated child support system (California is among them). |
| 1998 | The Deadbeat Parents Punishment Act (PL 105-187) toughened the 1992 law creating federal criminal penalties for wilful failure to pay past-due child support by creating two new categories of federal felonies with penalties of up to two years in prison. |

**Source**: Summarized from R. Freeman and J. Waldfogel, "Dunning Delinquent Dads: The Effects of Child Support Enforcement Policy on Child Support Receipt by Never-Married Women," Working Paper 6664, National Bureau of Economic Research, Cambridge, MA, July 1998, Table 2, and from the U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement, *22nd Annual Report*, Appendix H, Federal Legislative History of Child Support Enforcement.

Once an order is established, state agencies and courts have a broad range of legal and administrative tools designed to ensure that the nonresident parent (the "obligor") pays automatically and in full. Under federal law, they have powerful data-gathering and information-sharing powers to help them locate obligors whose whereabouts are unknown. For example, employers must report all newly hired workers to state registries, which in turn pass the information on to the Federal Registry of New Hires. States can immediately withhold support payments from the wages of obligors, whether or not they are delinquent. For those who are delinquent, penalties range from the assessment of sizable arrears to imprisonment on felony charges. These penalties have been seen as a particularly difficult issue for very low income fathers dealing with the child support system.

One set of federal policies that have been particularly relevant to families on welfare and that we also consider in detail are those known as the "disregard" and the "pass-through" (p. 64). From 1975 to 1996, federal policy required that some amount of child support payments be disregarded as income when states calculated public assistance payments and that some portion be passed through to the family for whom support was ordered. For many years, the amount was $50 a month, and there has been considerable debate over whether $50 is a large enough inducement to poor parents to cooperate with the formal child support enforcement system when other "informal" contributions might better serve the economic interests of parents and children.

Seemingly a rather narrow matter, the disregard policy leads us into myriad other issues that are being explored in the Wisconsin Child Support Demonstration Evaluation. If all child support collected on behalf of families participating in the state's welfare program, Wisconsin Works (W-2) goes to the resident parent and children, will that raise the state's ability to collect support that is owed and improve the well-being of single-parent families? Will fathers pay more, and more willingly, through the formal system, knowing that all the money is going to the children, and will they play a larger role in their children's lives? The evidence on this from other research is very mixed (see p. 54).

The public pursuit of child support has involved the government ever more deeply in the lives of poor families. In seeking to improve children's lives, does it risk damage to other, equally significant values? One article suggests that the motivations and logic that inform policy toward welfare families are becoming standard practice for all families, putting at risk long-valued legal protections of individuals and families (p. 67). Child support policy has thus become a central venue for negotiating the limits of public and private responsibility for children, with especially important implications for low-income families that may rely on cash assistance.

The child support reforms of the last 20 years are proving to be a major test of the ability of governments to implement social policy on a very large scale. How difficult this can be is suggested by problems in the early implementation of the Wisconsin demonstration project (p. 42). How great the risk of failure can be is demonstrated by the child support reforms initiated in the United Kingdom in 1991 (p. 80). A child support policy hastily conceived and poorly implemented by a central government that paid little attention to the views of social policymakers, family advocates, and families is now seen as a financial failure and a social disaster, and is being reworked.

## The European experience with child support

U.S. child support policies have, we believe, much to learn from experiences elsewhere, especially in Europe (p. 72). Continental European nations, unlike the United States and the United Kingdom, encourage and facilitate the efforts of parents who are separating from one another to negotiate, agree, and make responsible decisions about their children at the same time as they reach understanding on other aspects of ending their relationship. When support is not forthcoming from the nonresident parent, most European states have mechanisms for advanced maintenance and guaranteed child support that deserve careful study.

## The important questions

The articles in this *Focus* provide evidence to help shape the policy dialogue on some extremely important questions:

- What are the boundaries of public intervention in what has been, traditionally, a private family matter?
- Has attention to financial aspects of child support policy—collecting support and offsetting public expenditures—adversely affected other aspects of parent-child relationships in low-income families? Is there an appropriate governmental role in improving such relationships?
- How can we balance the diverse economic interests of the main stakeholders: the two parents and the children? What is the best way to establish support obligations that are fair to the complex personal circumstances of most such families, that will secure their cooperation and compliance, and that will advance the well-being of the children?
- To what extent is the state a stakeholder for families on public assistance? Should the state guarantee support, as is suggested by child support assurance schemes? What strategies might improve the ability of nonresident and resident parents to support their children, thus reducing the role of the state? ■

# Cohabitation: How the families of U.S. children are changing

Larry Bumpass and Hsien-Hen Lu

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At the end of the twentieth century, the rapid increases in cohabitation and unmarried childbearing have dramatically altered family life in the United States (and, indeed, in most Western societies). Family boundaries have become more fluid and ambiguous, and the significance of marriage as a life-course marker in society appears to be declining.

Divorce rates have been stable for about two decades now, but they nevertheless remain high—involving over half of all marriages and one million children each year.[1] Marriage and remarriage rates have declined markedly. Between 1977 and 1992, the percentage *marrying* before aged 25 dropped from 72 to 53 percent. But there was much less change in the percentage entering a first union—from 78 to 70 percent—and that percentage has been virtually stable for the last 15 years.[2] Cohabitation was once rare. Now, a majority of young men and women of marriageable age will spend some time in a cohabiting relationship.

Given this rise in cohabitation, how many children born outside marriage are in fact born into two-parent, cohabiting families?[3] How stable are these unions? How many children will spend part of their childhood outside the "traditional" nuclear family consisting of two married parents and their biological offspring? What are the implications of this rapid transformation in family life for children? These are questions that we explore in the research summarized in this article.[4]

To track changes in family structure we use data from two surveys, the National Survey of Families and Households (NSFH), conducted in 1987–88, and the National Survey of Family Growth (NSFG), Cycle 5, conducted in 1995.[5] Among other topics, both surveys collected detailed information on respondents' fertility, marriage, and cohabitation histories through extended personal interviews. The NSFH included interviews with about 13,000 people aged 19 or older; the NSFG sample of about 10,000 is limited to U.S. women aged 15–44.[6]

## The trends in cohabitation

As Figure 1 shows, cohabitation has continued to increase dramatically, both within cohorts, as women age, and between them, as younger women move into the prime marital and childbearing years. By 1995, half of all women in their 30s had cohabited outside of marriage. This process is particularly important, because as younger women move through the age structure, tolerance for cohabitation is likely to become ever more widespread.

At the same time, the proportion of unions that are cohabiting relationships rather than marriages has greatly increased. As marriage is increasingly delayed until older ages, nearly one-third of all unions involving women under age 25 and one-sixth of those involving women aged 25–29 do not begin as marriage. Not only is marriage no longer a prerequisite for an intimate relationship, it is no longer even the predominant way of entering that relationship—54 percent of all first marriages between 1990 and 1994 began as cohabitations.

The trend in cohabitation has been led by the less educated. The greatest relative increase between 1988 and 1995 occurred among high school graduates (44 percent), the lowest among college graduates (19 percent). And although cohabitation increased among both whites

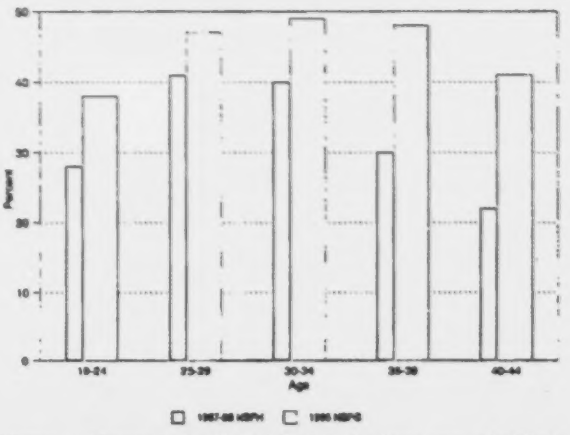


**Figure 1. Women in the United States who have ever cohabited: Trends, by age, 1987–95.**



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Table 1
Percentage of Births to Unmarried Mothers and Cohabiting Mothers

| Mother's Characteristics | Births to Unmarried Mothers as % of All Births: 1980–84 All | 1980–84 Cohabiting | 1990–94 All | 1990–94 Cohabiting | Births to Cohabiting Parents as % of All Births to Unmarried Parents: 1980–84 | 1990–94 |
|---|---|---|---|---|---|---|
| Births to unmarried mothers as % of all births | 21 | 6 | 28 | 11 | 29 | 39 |
| Mother's Education | | | | | | |
| < 12 years | 43 | 16 | 51 | 21 | 37 | 41 |
| 12 years | 24 | 6 | 31 | 12 | 25 | 39 |
| Some college | 13 | 3 | 20 | 7 | 23 | 35 |
| College graduate | 5 | 1 | 5 | 1 | 20 | 20 |
| Mother's Age | | | | | | |
| <24 | 37 | 10 | 52 | 19 | 27 | 37 |
| 24–26 | 14 | 4 | 23 | 10 | 29 | 43 |
| 27–29 | 10 | 4 | 16 | 7 | 40 | 44 |
| 30+ | 11 | 4 | 13 | 6 | 36 | 46 |
| Race/Ethnicity | | | | | | |
| Non-Hispanic white | 12 | 4 | 18 | 9 | 33 | 50 |
| African American | 62 | 13 | 72 | 16 | 21 | 22 |
| Hispanic | 21 | 10 | 32 | 17 | 48 | 53 |

**Source**: The 1980–84 cohort comes from the National Survey of Families and Households, 1987–88, and the 1990–94 cohort comes from the National Survey of Family Growth, 1995.

**Note**: Children born to U.S. women under age 40.

and African Americans, the increase was much greater among whites; by 1995, there was no racial difference in the proportion who had ever cohabited.

## Transitions

Cohabitation continues to be a short-term status, though we should bear in mind that many cohabitations turn into marriage. About half of all cohabitating relationships last a year or less, and only about one in ten lasts five years or longer. Consistently, over this period, cohabiting unions are less stable than marriages; that instability has continued to rise, even while divorce rates have been stable.

The instability of cohabiting relationships has two sources: unions begun by cohabitation have become less stable, and the percentage of cohabiting partners who marry has declined from 60 to 55 percent. The proportion of such unions that end within five years has increased from 45 to 54 percent, whether or not the partners ever married. This is rather what we might expect—as cohabitation becomes more acceptable, these relationships are likely to include couples with less serious commitments, leading to lower marriage and higher breakup rates.

## The stability of two-parent families

Conventional measures provide little direct evidence on the stability of unions that involve children. We know the divorce rate has been constant since 1980, but we have little direct information on the likelihood that families with children will break up. The most relevant measure, the percentage of disrupting marriages that include children, is extremely crude. (This proportion increased from 40 percent in 1965 to 53 percent in 1988.)

To address this issue, we first use a measure of family stability that sets the "clock" running from the formation of a family with children (either the first birth within a marriage, or the marriage itself, if the first birth precedes the marriage). Basically, we are measuring the stability of two-parent families from the time a child enters the picture. Using this measure we examine data from the Current Population Survey, which limits its attention to married families. In the 1960–64 cohort, 17 percent of two-parent families were disrupted within 10 years of their formation. For the 1980–84 cohort, 30 percent were disrupted. This is, of course, the period during which divorce rates rose rapidly. Even in that peak time, the divorce rate among two-parent families increased more slowly than did the divorce rate overall.

## Children's family experiences

It is now clear that the United States is rapidly moving toward the experience of several European countries in which an "unmarried birth" is more likely to occur in a two-parent family than it is to create a mother-only family (see Table 1).[7] Among births to unmarried women in 1990–94, 40 percent overall, and 50 percent among white and Hispanic mothers, were to cohabiting parents. Births

to unmarried women increased among all groups over the ten-year period, except for women with a college degree. At the same time, the proportion of births outside any union increased only slightly, from 15 to 17 percent. Thus the increase in unmarried childbearing appears almost completely associated with cohabiting two-parent families—a fact that has implications for how we should think about "families" on the one hand, and "unmarried childbearing" on the other.

### Cohabiting families

The significance of marriage continues to decrease with respect to childbirth, as more and more children begin life with cohabiting parents. Rates for the early 1990s suggest that about 40 percent of all children will spend some time in a cohabiting family before age 16. Many children will begin their lives in such a family, but a large proportion of children born to single mothers will later on enter a cohabiting family, and so too will a nontrivial number born inside marriage. Whether or not a mother later remarries, this is surely an important intergenerational aspect of the declining significance of marriage. Parents who have lived in a cohabiting family with their children are likely to find it difficult to argue effectively that those children should abstain from either unmarried sex or cohabitation.

Our estimates of the relative risk of being in a cohabiting family suggest that slightly fewer than one-third of children who were *not* born to cohabiting mothers will enter a cohabiting family at some time before age 16. Among children born to single mothers, that proportion rises to 75 percent. Among children born to married parents, 20 percent will enter a cohabiting family after their parents divorce and before age 16.

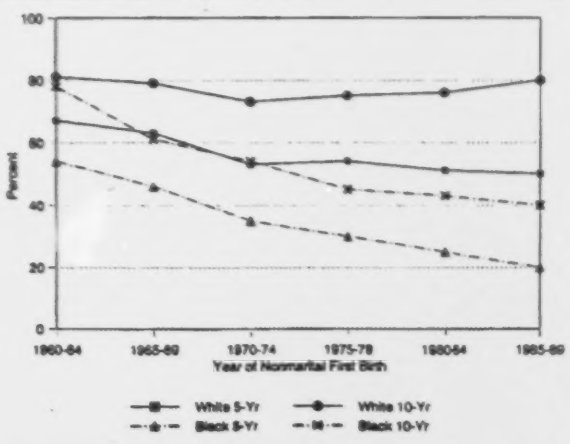


**Figure 2. The cumulative proportion of women married after a nonmarital first birth.**

**Source:** Life-table estimates for the United States from the U.S. Bureau of the Census, Current Population Survey, June 1995.

This risk of entering a cohabiting relationship among children born to mothers who are not cohabiting is significantly less for more highly educated and older mothers. Nevertheless, one in six children born to women who are college graduates is expected to enter a cohabiting family. Among other factors, race and ethnicity are less significant than is single motherhood. Although children of African-American mothers who are not cohabiting are more likely to enter a cohabiting relationship than are children of white mothers (46 versus 28 percent), this is solely because a higher proportion are born to single mothers. When we take into account the mother's marital status when the child is born, the risk of an African-American child entering a cohabiting family is about half the risk of a white child, and that of a Hispanic child is about 60 percent that of a white child.

### Marriage following birth to an unmarried mother

When we examine the proportions of women who marry after the birth of a child out of wedlock, we find dramatic racial differences in the trends (Figure 2). Among white women, the proportion marrying within 10 years stood at around 80 percent both in 1960–64 and in 1985–89 (although it was not stable over that period, as Figure 2 shows). Among African-American women, the proportion marrying within 10 years dropped from 78 percent in 1960–64 to 40 percent in 1985–89. Our estimates comparing 1980–84 to 1990–94 suggest that these trends may have reached a plateau, however.

Education once again has a strong effect, and so does age. The more highly educated a woman is, the more likely she is to marry and the less likely to cohabit (the explanation may well be sought in a more favorable marriage market for better-educated women).[8] But the older an unmarried woman is when the child is born, the less inclined she may be to marry (having remained unmarried to this point) and also the less likely to find a partner, given men's and women's preferences concerning a partner's age.

Thus about 20 percent of white children and 60 percent of African-American children will spend their entire childhood without entering a married family. But children were just as likely to enter a two-parent family (married or cohabiting) in the early 1990s as they were in the early 1980s.

### Disruption in children's birth families

For just over a third of children, the two-parent family into which they were born will have broken apart by the time they are 16. And between 1980–84 and 1990–94 there was a significant increase in such disruptions. For the United States as a whole, the proportion of childhood years that children spent living with cohabiting parents does not seem very great, and over this time it increased from 7 to 9 percent.[9] But is this a lot or a little, in context?

It does, after all, represent a third of the time children spend outside a married family.

Further, the role of cohabitation looms much larger for some groups in the population. Children born to a mother who is truly "single"—neither cohabiting nor married—are likely to spend about half their childhood in a single-parent family, almost a fifth with a cohabiting parent, and about a third with married parents. Children born to cohabiting parents spend about a quarter of their childhood with a single parent, about the same with cohabiting parents, and less than half their time with married parents. Children born to married parents spend by far the greater part of their childhood (84 percent) in a two-parent family.

These findings underscore the fact that measuring cohabitation matters for how we think about the family contexts of children. Children born to cohabiting mothers, like those born to single mothers, spend less than half their childhood in married families (46 percent, compared to 33 percent for single-parent children). Yet if we include the time they spend in the cohabiting family, they resemble children in married families (74 percent of their childhood in a two-parent family, compared to 84 percent for children born in a marriage).

Consistently, age, education, and race matter. Children born to young mothers, poorly educated mothers, or African-American mothers will spend much larger shares of their childhood in a single-parent family than will other children.

## Conclusions

Cohabitation has continued to increase, however we measure it. If these trends were only an extension of dating—the move of premarital sex into shared households—we might well regard them as merely "interesting." But it is clear that families with children are also very much affected.

Cohabitation raises questions about the changing boundaries of family life and the consequent effects upon children that are too important to be left to the occasional casual question in a survey. Now that about 40 percent of all children spend some time living with their mother and her cohabiting partner, we need to know much more about the ways in which cohabitation affects the parenting contexts of children, the economic circumstances of their families, and the attitudes and values of the next generation. We also need to know how transitions into and out of cohabiting unions contribute to the stress caused by multiple transitions to children and adults alike. In the future, we need to invest substantial thought and resources in documenting and understanding this critical aspect of contemporary family life. ■

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[1]T. Castro Martin and L. Bumpass, "Recent Trends and Differentials in Marital Disruption," *Demography* 26, no. 1 (1989): 37–51; National Center for Health Statistics, *National Vital Statistics Reports* 47, no. 15 (1999).

[2]We allowed respondents to decide what constituted a "union" by simply asking whether they had ever lived with someone of the opposite sex (in the context of "sometimes they get married"), and then asked when such episodes began and ended.

[3]In the United States, "single-parent families" are usually so categorized because the mother is unmarried, whether or not she is actually cohabiting with the father of the child.

[4]The research summarized here is reported more fully in L. Bumpass and H.-H. Lu, "Trends in Cohabitation and Implications for Children's Family Context in the United States," *Population Studies* 54, no. 1 (March 2000): 29–41. IRP is grateful for permission to make use of the article in this *Focus*.

[5]J. Sweet, L. Bumpass, and V. Call, "The Design and Content of the National Survey of Families and Households," NSFH Working Paper no. 1, National Survey of Families and Households, Madison, WI, 1988; F. Potter, F. Iannachione, W. Mosher, R. Mason, J. Kavee, and others, "National Survey of Family Growth Cycle 5: Design, Estimation, and Inference," *Vital and Health Statistics*, Series 2, 1997.

[6]We discuss the constraints that this age limitation imposed, and our methods for dealing with it, in the full article (see note 4).

[7]K. Kiernan, "European Perspectives on Nonmarital Childbearing," paper presented at the IRP Conference on Nonmarital Fertility, Madison, Wisconsin, April 1999; J. Ermisch and M. Francesconi, "Cohabitation in Great Britain: Not for Long, But Here to Stay," *Journal of the Royal Statistical Society*, Series A, forthcoming.

[8]See V. Oppenheimer, "American Marriage Formation in the 1980s: How Important Was Women's Economic Independence?" in *Gender and Family Change in Industrialized Countries*, ed K. Mason and A.-M. Jensen (Oxford: Clarendon Press, 1995), pp. 105–37.

[9]"Childhood years" are considered to extend from birth to age 16.

# Fragile Families and Child Well-Being: A survey of new parents

Irwin Garfinkel and Sara McLanahan

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Both in the United States and in Europe, there is ample evidence that nonmarital childbearing is growing. The proportion of nonmarital births in the United States is now one-third. It is even higher among minority populations—40 percent among Hispanics and 70 percent among African Americans. There is concern (and some evidence) that this is damaging to children and perhaps parents as well.[1]

One set of scientific questions relating to nonmarital childbearing is concerned with the causes of nonmarital births and the effects of policies on nonmarital birth rates. Another set of questions is concerned with the nature of the phenomenon and the effects of policy on the well-being of unwed parents and their children. Because of our involvement in the Fragile Families and Child Well-Being Study, we are particularly well placed to comment upon the nature of nonmarital childbearing and the effects of policies on family well-being.

Most people believe that children in fragile families would be better off if their parents lived together and their fathers were more involved in their upbringing. Indeed, public policy is now attempting to enlarge the role of unwed fathers both by cutting public cash support for single mothers and by strengthening paternity establishment and child support enforcement. Yet the scientific basis for these policies is weak.

The Fragile Families Study is designed to remedy this situation. The study will sample approximately 4,700 new births in 20 cities across the United States, including 3,600 nonmarital births and 1,100 marital births. It will be representative of nonmarital births in each of the 20 cities and in large U.S. cities more generally. We plan to follow both mothers and fathers for at least four years. Data on child health and development will be collected from the mother; in addition, in-home assessments of child well-being will be carried out when the child is age 4.

The study is addressing the following questions:

- First, what are the conditions and capabilities of new unwed parents, especially the fathers? How many of these men hold steady jobs? How many are violent or potentially dangerous to the mother and children?
- Second, what is the nature of the relationship between unwed parents? How many couples are involved in stable, long-term relationships? How many are planning to raise their child together?
- Third, what factors push new unwed parents together and pull them apart? In particular, how do labor markets and child support, welfare, and other public policies affect parents' behavior and living arrangements?
- And finally, what are the long-term consequences of family arrangements and public policies for children in fragile families?

In this article we explain the importance of each of these questions, describe how the Fragile Families Study is designed to address them, and, where possible, present some preliminary findings. The results we discuss are based on data from two cities—Austin, Texas, and Oakland, California.[2] First-year follow-up interviews were conducted in Austin and Oakland in summer 1999 by Mathematica Policy Research, Inc., and these data will soon be available. Follow-up interviews when the children are 30 and 48 months old are planned. We plan to create a public use data file at the end of each complete wave.

### *I. The first set of questions focuses on the capabilities of the parents, especially the fathers*

We know quite a bit about the women who give birth outside of marriage.[3] The Fragile Families Study will provide important new information on unmarried fathers as well as mothers. Policymakers are particularly interested in two aspects of fathers' capabilities: their earnings capacity and their propensity for violence. These two factors are fundamental to the success or failure of the new welfare laws that envision a greater role for nonresident fathers in supporting mothers and children.

Most estimates of fathers' earnings and capabilities are seriously limited by the fact that nonresident fathers are underrepresented and underreported in national and local surveys. For example, the National Survey of Families and Households is arguably the best dataset in the United States for studying families and households; yet we and our colleagues determined that about 3.8 million nonresident fathers were not represented in these data. We estimate that about a third of the "missing fathers" were not in the survey frame, including fathers in prison, fathers in the military,

and, most importantly, fathers who are part of the census undercount, i.e., homeless men and other individuals who are loosely attached to households. The other two-thirds of the "missing fathers" are in the survey but do not acknowledge their status. The problem we describe is particularly serious for low-income fathers and for men who father children outside marriage.[4] Nonresident father status is also underreported in the National Longitudinal Survey of Youth, though the proportion of underreporting is somewhat lower.

In view of the denial or ignorance of paternity on the part of nonresident fathers, we concluded that the best way to get a representative sample of unwed fathers was to sample from births at hospitals. This procedure yields a representative sample of children born outside marriage and representative samples of unwed mothers and fathers. Thus far, we have been able to interview over 90 percent of the mothers and close to 60 percent of the fathers *at the hospitals*. Another 15 percent to 20 percent of the fathers are interviewed outside the hospitals. All the mothers are asked questions about the fathers so that we can analyze and correct for the fathers we do not interview.

So, what have we learned thus far about the capabilities of unwed fathers? We find that the vast majority of unwed fathers do not appear to pose a threat to either the mother or child. According to mothers' reports, only 8 percent have problems with drugs or alcohol and only 7 percent are physically abusive. Four percent were in jail or prison at the time of the interviews. Nevertheless, most of the fathers in our sample are poorly equipped in terms of human capital to support a family. Nearly 40 percent have no high school diploma, and only 20 percent have any education beyond high school. Nearly 20 percent of the fathers did not work at a regular job during the past year, and those who worked had very low earnings. In sum, most of the fathers in our study have serious handicaps and will need a lot of help if they are to maintain stable families.

***II. The second question concerns the nature of the relationships in fragile families***

The literature on unmarried parents provides some clues to understanding the relationship between unwed mothers and fathers, but prior research has been limited primarily to qualitative studies of unrepresentative samples and to the perspective of one parent or the other. These studies tell conflicting stories about the motivations of the fathers and the extent to which the parents see themselves as families. On the one hand, Elijah Anderson tells us that young unwed fathers are out to exploit the mothers and that children are the products of "sexual games." On the other hand, Mercer Sullivan (and Elliot Liebow before him) tells us that these men care about their families but are unable to fulfill their breadwinner roles.[5]

The Fragile Families survey was designed explicitly to study the relationship between the parents, and the data will be unique in several respects. The survey is longitudinal and begins with a single event—the birth of a child. Both parents are followed so that we have two perspectives on the relationship. And finally, we collect information on attitudes as well as behaviors.

What are we finding? In Austin and Oakland, the vast majority of unwed couples may well be labeled as *fragile families*. At the time of the birth, most unwed fathers are strongly attached to their families. These men want to help raise their children, and the mothers want their help. Over half of the parents in our study live together, and 80 percent are romantically involved. Nearly 70 percent say their chances of marriage are 50-50 or better. With respect to the children, 86 percent of the mothers are planning to put the father's name on the birth certificate, 78 percent of the fathers provided financial support during the pregnancy, and over 90 percent of the mothers want the father to be involved in raising the child. Clearly, these figures belie the myth that unwed mothers do not know who the father is, or that unwed fathers do not care about their children.

***III. The third question concerns the role of labor markets, welfare, and child support enforcement: how do they affect parents' relationships?***

Theory and common sense suggest that strong labor markets, strict child support enforcement, and stingy welfare promote marriage. The magnitude of these effects is an empirical question of the greatest practical concern. Though we have no preliminary findings to report, we do want to describe an aspect of our study design that makes Fragile Families an unusually good dataset for estimating the effects of labor markets, child support enforcement, and welfare on family formation.

The cities in our nationally representative sample were chosen on a random stratified basis from all cities with populations over 200,000. Cities were ranked in terms of the strength of their labor markets, the strictness of child support enforcement, and the stinginess of their welfare grants. Cities ranked in the top or bottom third on all criteria were classified as having "extreme" environments. We concentrated our observations in these cities, although it weakens the descriptive power of the nationally representative sample, because it strengthens our ability to detect the effects of labor markets, child support, and welfare and to detect interaction effects amongst these policies. Whether this was a wise trade-off, time will tell. We believe, however, that interaction effects are highly likely. One aspect of the design is that we have both a nationally representative sample *and* large enough samples in cities with extreme environments to conduct what amounts to case studies of families in such environments.

***IV. Our last question concerns the effects of policies and family relationships on children's well-being***

We know quite a lot about children who are exposed to divorce and remarriage, but we know much less about chil-

dren born to unwed parents. This is because most surveys do not capture either the complex cohabitation histories of unwed parents or the complex "visiting" relationships these parents are often engaged in. A question that we eventually hope to shed some light on is whether a child is better off being raised by one parent in a stable environment or being raised by both parents in an unstable environment. (By unstable, we are talking about a situation in which the father or other men are moving in and out.)

Birth cohorts are one of the best data sources for studying the determinants of child well-being. Over time, they become increasingly useful for separating the effects of preexisting differences, such as health at birth, from current differences such as parenting practices, income or welfare levels, and the rigor of child support enforcement. When we were designing the Fragile Families survey, we decided to start with a birth cohort, not only because doing so increased our chances of getting to the fathers, but also because it allowed us to gather as much information as possible on the initial conditions of the child.

At this stage, we can report that the overwhelming majority of unmarried mothers in two of our sites, Oakland and Austin, are healthy and bore healthy children. However, 13 percent of the mothers in Oakland and 10 percent of those in Austin gave birth to below-normal-weight babies. The difference in low birth weight in these two cities is not a function of prenatal care. In Austin, about 30 percent of the mothers did not receive prenatal care in the first trimester, compared to 20 percent of mothers in Oakland. More likely, it is due to the health behaviors of the mothers. In Oakland, 19 percent of the mothers reported using drugs during their pregnancy, 17 percent reported using alcohol, and nearly 24 percent reported smoking cigarettes. In Austin, only 4 percent of the mothers used drugs, only 9 percent drank alcohol, and only 19 percent smoked cigarettes during their pregnancy.

Because the Fragile Families sample follows a birth cohort and contains a large number of low-income families, it is ideal for studying the many needs and problems of "high risk" families. Thus we hope to add assessments of child abuse and neglect at the 30- and 48-month follow-up interviews, to investigate linkages between fathers' incarceration and their economic status and family relationships, and to conduct a large-scale study of the child care providers for Fragile Families children.

From our initial exploration of the Fragile Families data in Oakland and Austin, three findings stand out. First, parents in fragile families in both cities were highly committed to each other and their child at the time of the birth and had high hopes for their future as a family. The challenge for policymakers and community leaders is to nourish these commitments.

Second, most unmarried parents in both cities were poorly equipped to support their families. The typical father had an income of less than $12,500 a year, the typical mother only $4,000 to $5,000. In Oakland, nearly one out of four fathers and two out of five mothers had not worked in the previous year. Increases in human capital, employment, and earnings are likely to play critical roles in the success of parents in maintaining stable families.

Finally, the majority of unmarried mothers and babies in both cities were healthy. But a substantial number received no prenatal health care and engaged in behaviors generally considered risky during pregnancy. One in ten babies were below normal weight. Improving the health care of all mothers during pregnancy and the health education of both parents should be an important objective of policymakers. ■

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[1]S. Ventura, C. Bachrach, L. Hill, K. Kaye, P. Holcomb, and E. Koff, "The Demography of Out-of-Wedlock Childbearing," in *Report to Congress on Out-of-Wedlock Childbearing*, U.S. Department of Health and Human Services, Washington, DC, 1995. The ill effects of father absence on children are documented, for example, in S. McLanahan and G. Sandefur, *Growing Up with a Single Parent: What Helps, What Hurts* (Cambridge, MA: Harvard University Press, 1994). See also L. Waite, "Does Marriage Matter?" *Demography* 32, no. 4 (November 1995): 483–507; G. Akerloff, "Men Without Children," *The Economic Journal* 108 (March 1998): 287–309.

[2]Baseline data for the survey were collected in Austin and Oakland in the spring and summer of 1998, and descriptive reports for each of these cities are now available on-line at < http://opr.princeton.edu/crcw/ff/city.html >. Baseline interviews have been completed in five additional cities (Baltimore, Detroit, Newark, Philadelphia, and Richmond), and these data became available for analysis as this issue of *Focus* went to press. Response rates for unmarried fathers in Austin and Oakland were 75 percent and we are about to reach this rate in four of the next five cities. Newark is the exception, with fathers being much harder to locate and much more likely to refuse to participate in the study. The National Opinion Research Center (NORC) at the University of Chicago served as the contractor for the baseline data collection in these cities. Baseline interviews in the remaining cities will be conducted in winter-spring 1999–2000 by Mathematica Policy Research.

[3]K. Moore, "Nonmarital Childbearing in the United States: 1980–92," in *Report to Congress on Out-of-Wedlock Childbearing*, U.S. Department of Health and Human Services, Washington, DC, 1995.

[4]See M. Rendall, L. Clarke, E. Peters, N. Ranjit, and G. Verropoulou, "Incomplete Reporting of Male Fertility in the United States and Britain," Population and Development Working Paper no. 97.03, Cornell University, 1997; E. Sorensen, "A National Profile of Nonresident Fathers and Their Ability to Pay Child Support," unpublished paper, Urban Institute, Washington, DC, 1995.

[5]See, for example, M. Sullivan, "Absent Fathers in the Inner City," *Annals of the American Academy* 501 (January 1989): 48–58; E. Liebow, *Tally's Corner: A Study of Negro Streetcorner Men* (Boston: Little, Brown, 1967); E. Anderson, "Sex Codes and Family Life among Poor Inner-City Youths," in *The Ghetto Underclass*, ed. William Julius Wilson (Newbury Park, CA: Sage Publications, 1993).

# A failed relationship? Low-income families and the child support enforcement system

Maureen Waller and Robert Plotnick

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> *I think the system's no good. [For] the father that's really trying the hardest, it's not a good system at all. I mean it's good for the father that's not trying but for the father that's trying, it's not a good system. I'm not trying to run from it. You know, I'm here. But they're making me run.* (Brian, p. 46, interview by Waller)
>
> *If they start taking money from him, then we wouldn't have anything to live on. . . . I thought they would go after him for money and he would have to give money to the state that we would never see again. . . .[W]e really needed it, because, we were like on our own. So I told them I didn't know who the father was.* (Denise, p. 26, interview by Waller)[1]

The spotty record of child support enforcement in the United States, documented in research reported elsewhere in this *Focus*, has compromised the economic security of many single-parent families, especially families headed by never-married women, and has done little to reduce the need for welfare spending.[2]

In this article we offer some explanations for the ineffectiveness of the child support system in reaching low-income parents, as much as possible in their own words, taken from qualitative studies of the experiences of such parents (Table 1).[3] The child support system and the legislation that underpins it were developed mainly for families with divorced fathers working full time.[4] The studies make it clear that procedures and regulations based on this model often clash with the social and economic realities confronting many low-income parents. In particular, child support and welfare regulations interact in ways that make compliance less likely.

## "Deadbeat dads" and responsible fathers

Low-income parents interviewed by Waller held strong collective beliefs about paternal responsibility and parenting practices. Fathers are expected to establish emotional bonds, to provide guidance, to act as role models, and to provide whatever financial support they can. But most parents prefer informal agreements if fathers participate actively in their children's lives; only a minority (particularly women) prefer to participate in the formal system. Many believe that formal child support is appropriate only when private agreements cannot be established or maintained or when fathers do not accept their responsibility voluntarily.

> I think I would say go to court for child support if they're not willing to help you. If they're not willing to even be there. . . . [W]ith my son's father and I, if he didn't have the money and I needed something, I understood. 'Cause he was, you know, he was struggling. But at least if he would be there and come visit him. . . Just have some type of participation in his life and that's it. But if they don't want to participate at all and are just being jerks about it, then yeah, you should go to court. (Jacqueline, p. 22, interview by Waller)

Parents hold shared ideas about what it means to be a "good father" and can readily distinguish between deadbeat dads and responsible fathers. They do not, however, necessarily believe that men who make formal child support payments are more responsible than those who provide informally: "A lot of dads are deadbeat dads. A lot of mothers are deadbeat mothers. But they call them deadbeat dads because they're not paying child support to the establishment" (Larry, p. 22, interview by Waller).

Informal agreements may be difficult to sustain, especially when a romantic relationship ends and parents form new unions. The strong preference for such agreements among low-income parents in part reflects disincentives in the formal child support system.

## The disincentives to compliance

To be eligible for welfare, women must cooperate with child support enforcement agencies in identifying the

This article is adapted from a report by M. Waller and R. Plotnick, *Child Support and Low-Income Families: Perceptions, Practices, and Policy* (San Francisco, CA: Public Policy Institute of California, 1999). The report reviews and analyzes findings of qualitative studies of low-income families, in the context of recent federal and state child support policy. The complete text is posted on the PPIC World Wide Web site, at < http://www. ppic.org/ publications/reports.html > under the heading "Poverty and Welfare."

**Table 1**
**Qualitative Studies of Low-Income Parents' Attitudes to the Child Support System**

| Study[a] | Location | N | Date | Method | | | Characteristics of Sample (%) | | | | | Other Characteristics of Study Sample |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | In-Depth Interview | Focus Group | Observation | Women | Men | White | Black | Hispanic | |
| Achatz & MacAllum | FL, PA, WI | 47 | 1991–93 | ✓ | | ✓ | 0 | 100 | 11 | 89 | 0 | Unmarried fathers enrolled in a program to promote job and parenting skills |
| Edin | Boston, Chicago, Charleston (SC), San Antonio | 214 | 1988–92 | ✓ | | | 100 | 0 | 44 | 45 | 11 | AFDC recipients |
| Furstenberg | Baltimore | 12 | 1991 | ✓ | ✓ | | 75 | 25 | 0 | 100 | 0 | Participants in Baltimore Study and some partners; parents with differing relationships |
| Johnson & Doolittle | CA, FL, MA, MI, OH, NJ, TN | 32 | 1994–96 | ✓ | ✓ | ✓ | 0 | 100 | 24 | 62 | 14 | Unemployed men with child support orders and children receiving AFDC; enrolled in Parents' Fair Share |
| Sherwood | Grand Rapids, MI | 16 | 1991 | | ✓ | | 0 | 100 | 50 | 50 | 0 | Men with child support orders |
| Sullivan | New York City | 42 | 1990, 1992 | | ✓ | | 0 | 100 | 26 | 74 | 0 | About half of white respondents receiving methadone treatment |
| Waller | Trenton, New Brunswick metro areas, NJ | 65 | 1994–95 | ✓ | | | 55 | 45 | 38 | 62 | 0 | All with nonmarital children who were receiving AFDC or Medicaid |

[a]The studies are: M. Achatz and C. MacAllum, *Young Unwed Fathers: Report from the Field* (Philadelphia: Public/Private Ventures, 1994); K. Edin, "Single Mothers and Child Support: The Possibilities and Limits of Child Support Policy," *Children and Youth Services Review* 17, no. 2 (1995): 203–230; F. Furstenberg, "Daddies and Fathers: Men Who Do for Their Children and Men Who Don't," K. Sherwood, "Child Support Obligations: What Fathers Say about Paying," and M. Sullivan, "Noncustodial Fathers' Attitudes and Behaviors," all in F. Furstenberg, K. Sherwood, and M. Sullivan, *Caring and Paying: What Mothers and Fathers Say about Child Support* (New York: MDRC, 1992); E. Johnson and F. Doolittle, *Low-Income Parents and the Parents' Fair Share Demonstration: An Early Qualitative Look at Low-Income Noncustodial Parents (NCPs) and How One Policy Initiative Has Attempted to Improve Their Ability and Desire to Pay Child Support* (New York: MDRC, 1996); M. Waller, "Redefining Fatherhood: Paternal Involvement, Masculinity, and Responsibility in the 'Other America'," Ph.D. dissertation, Princeton University, 1996.

fathers of their children and pursuing a support order. They must also assign to the state their right to any child support collected. Since 1996, states have been free to retain as much, or as little, of the support paid as they choose. Most keep it all; only Wisconsin currently passes the entire amount through to the custodial parent. Parents generally understand that the payment is used to offset the cost of welfare, but they do not consider the regulation fair:

> The money doesn't go to the kid. It's not like you're buying the kids something. The money goes to them because they pay that girl some welfare. So it is all nothing but a payback situation. (Joe, p. 23, interview by Waller)

The financial disincentive facing a low-income father can be substantial. If he makes a $200 monthly contribution, but his children receive only $35, the effective tax rate is 82.5 percent.[5]

A strong economic disincentive exists for the mother if she believes that her child's father will make direct contributions greater than the amount passed through ($50 a month under AFDC). Mothers in a study by Katherine Edin and Laura Lein reported receiving, on average, $39 a month in cash from the fathers, in addition to in-kind support.[6] Some mothers simply did not believe that the $50 was worth involving the father: "While you're on welfare, you're never gonna get the money anyway. . . the welfare people take it" (Laquana, p. 24, interview by Waller).

The economic disincentive created by assigning child support rights to the state often led mothers and fathers to work out cooperative arrangements to circumvent the perceived penalty. Fathers who believed that they could not make regular child support payments and also contribute directly to their children gave priority to the children's concrete needs, while keeping child support enforcement at arm's length by making sporadic payments. Others ignored the order altogether: "She wasn't seeing nothing. And my son wasn't seeing nothing. So I wasn't paying nothing" (p. 25, interview by Sullivan).

Mothers also resisted the regulations, engaging in covert noncompliance or half-hearted cooperation. About half of the mothers in the study by Edin lied or withheld information about the father from caseworkers, seeking to satisfy the formal requirements of the child support system while not actively pursuing an order.

But mothers also used the threat of enforcement as a tool for negotiating with fathers who, they believed, were being uncooperative or irresponsible: "I would give that man an alternative—either you're going to help me with my child without going to court, or we can go to court and take it from there" (Liza, p. 28, interview by Waller). The power that the system thus indirectly gives women is real, as many men recognize:

> You know if you don't live up to your expectations from the agreement that you and this lady made, first thing she gonna do is run down there and say "I know so and so, I know where he work at." (Salaam, p. 29, interview by Waller)

To keep mothers happy and deter them from seeking formal child support orders, fathers attempted to maintain friendly relationships and make voluntary contributions. But informal agreements often failed, and some mothers in the studies turned to the child support system.

A few mothers unilaterally evaded cooperation with the child support authorities. The reasons that Edin gives ranged from fear of reprisal against them or the children by abusive fathers, to desire for exclusive control of the child, to a belief that the mother had no legitimate claim for support from the father.

## Family conflicts created by mandatory cooperation

In theory, the welfare system, by reducing the discretion of mothers, should also reduce interpersonal conflict between the parents. The system requires that mothers establish paternity and initiate support proceedings. It also limits the amount transmitted to mothers. But in fact, the formal system can pit mothers against fathers, creating or exacerbating conflicts in their relationships:

> They don't know that once you do that, that puts a whole distance between you and the baby's father. Now the baby's father say, "So, you want to go that route? OK. Then I'll give you $35 a month, but you can't get another dime from me for nothing." (Joe, p. 30, interview by Waller)

Men may not understand that women are required to identify them as a condition of receiving welfare. Or they may blame mothers for applying for welfare and creating the obligation in the first place. Mothers, in turn, may attribute the necessity for welfare to the failure of fathers to support their children. Failure to understand the pass-through system may also create mutual suspicion about where the money is spent. Finally, the economic demands put on poor fathers by child support, particularly if large arrearages develop, further strain often shaky relationships.

### Formal payments versus direct or in-kind payments

Parents believed that children receive greater financial benefit from informal support and expressed strong emotional reasons for this practice. They saw formal support as a "forced" payment rather than an authentic expression of parental love: "My child should not have to grow up with something in the back of his mind: 'Somebody had to force dad to give to me. If only he would have freely given'" (p. 33, interview by Sullivan). Many fathers interviewed believed, in general, that the courts

should not intervene in family matters. "Why do I need the government to tell me that I should take care of my child when I know for a fact that I need to?" (Yusef, p. 33, interview by Waller). Many women agreed: "[F]or me the way I feel to go through the system to force him to take care of his child is like he don't love her" (p. 34, interview by Waller).

In the low-income communities in which the parents in these studies lived, in-kind contributions were recognized as valid expressions of fathers' obligations to their children. Many fathers did in fact make informal monetary or in-kind contributions, in the form of diapers, clothing, shoes, and gifts. To these fathers, such in-kind contributions were visible symbols of responsible fatherhood in the community. In-kind contributions also gave fathers control over how the money was spent—particularly important for fathers who distrusted their child's mother to use their contributions for the good of the child. They resented the child support system for preventing them from dramatizing their love and responsibility for their children.

#### Responses to mandatory cash support

Compulsory cash payments may foster suspicion and mistrust that may be directed at the other parent. For their part, mothers worried that mandated payments would undermine their efforts to establish cooperative parenting based on emotional commitments, particularly if resentful fathers stopped doing the "extras" for their children:

> Right now welfare is trying to take him to court for child support. But what it all boils down to is he's going to be here with me, I'm getting more out of him being with me. It might not be exactly financially, but as far as raising the kids, you can't put a price on that. So, I'm getting more out of him being here, than not being here and trying to pay child support. (Marion, p. 34, interview by Waller)

Other mothers also made this point:

> It's nice to have them contribute financially but if they are only going to contribute financially and they are not going to be a father [then] you are not winning. If he gives you money for a child and he's not going to be a father, the child is losing. (p. 35, interview by Edin)

Securing support through the formal system could also lead to real economic loss for mothers, as Denise makes clear in the quotation at the beginning of this article.

Some low-income fathers describe a different dilemma. If they pay child support, they cannot afford to buy things their children request. As a result, they feel guilty and avoid spending time with them.

> My mom and them are like this: "Why don't you stop buying them stuff? The courts can handle that. Whatever you decide to buy them, take that money down there to the courts." But it still gets to the point of: What about my kids? 'Cause you know, kids can talk. Kids can walk up and say, "Dad, can you buy me this?" . . . But then if I be like "Uh uh, I can't get that. Your mom's supposed to take care of that . . . ." Then the kid be kind of upset and then it distracts you. It makes you feel bad. (Salaam, p. 35, interview by Waller)

### Problems created by enforcement practices

Many women interviewed regarded the child support system as ineffective and unresponsive. They pointed to the difficulty of filing claims, the inability of the system to collect or to pursue men who evaded the system, and the impersonal nature of the agency:

> I have been trying to get child support from [the Office of Child Support Enforcement] for three years. I filled out everything. I got all the information. They made it seem so difficult. . . . I called that [agency] man every day last week. He never called me [back]. We have been waiting for a court date for three years [for my oldest child's father]. Every time I call that [agency] man he lies to me. (p. 37, interview by Edin)

Enforcement tools tend to assume that all noncustodial fathers can afford to pay child support but are unwilling to do so. The research studies discussed here raise serious questions about the validity of that assumption. Many low-income fathers were not unwilling to support their children, but they had two major objections to enforcement practices. In the first place, they believed it did not recognize or respond to their volatile economic circumstances. A second point of difficulty was the threat of criminal sanctions.

#### Inflexibility of the system

The perceived insensitivity to men's unstable economic circumstances discourages cooperation with child support agencies. Many fathers of children receiving welfare—particularly young, never-married fathers—have low skills, lack stable employment, and may not have sufficient income to pay child support without further impoverishing themselves or their families.[7] Men talked about the difficulties of meeting their own living expenses and making child support payments while working at part-time, temporary, and low-paying jobs: "How can you, on a simple job out there, how can you support yourself plus pay for your kids that way, plus still have to do for your kids and maintain yourself in this kind of environment?" (Yusef, p. 38, interview by Waller).

Child support awards are often set retroactively rather than when paternity and the child support order are established. They do not usually consider direct support given to the child before the award was set, nor do they take into account the father's income at that time. Awards for

unemployed fathers may be based on imputed income assuming full-time work at the minimum wage. As a result, fathers may find themselves with large arrearages or with child support debts for earlier periods when they may have lived with the child's mother. When fathers receive notice of their obligations, they are often thousands of dollars in arrears.

Enforcement practices that assume fathers are absent from the family may also undermine relationships between unmarried couples. Arrested on an outstanding child support warrant, one man said:

> Do you know that judge stood in front of my face and told me "I don't care where you live at, you better move back in with your mom, 'cause I'm taking half your money." He got no right to tell me that. . . . If I'm living with my kid's mother, I got a roof over my kid's head. You should have said, "damn if you're still with her and you're living with her and helping your kids out, well, OK." (O'Shen, p. 40, interview by Waller)

The arrears in question, O'Shen claimed, were accumulated during a period when he lived with his children and most of his money went to household needs—an informal arrangement presumably unreported by the mother to the welfare agency.

Intimidated or overwhelmed by enforcement practices, men ignored orders and accumulated substantial arrearages. One father built up arrearages while he was in jail:

> When I was doing time, there was no other means for my wife with the kid. At the time, to get support was to go to welfare, and that's what she did. A certain amount of time went by, ten years or better, I got a letter from welfare stating I owed them so much money. I never answered the letter. It was a couple of thousand dollars and until today I haven't gotten bothered yet. When it does happen, I don't know what to do. (p. 39, interview by Sullivan)

Fathers quit jobs when they discovered how much of their wages were garnished to meet child support arrearages, substituting work in the informal or underground economy. And although it is against the law to fire noncustodial parents because of wage withholding, fathers interviewed in these studies believed that it commonly occurred: "I had a job at a body shop and they called the people and told them they were gonna garnish my wages. I lost the job just like that" (Jake, p. 41, interview by Waller).

#### Threat of criminal sanctions

Fathers believed that heightened enforcement efforts were directed at nonresident fathers indiscriminately, regardless of their efforts to support or be involved with their children. Some believed the system was more likely to penalize fathers working in the regular economy than those working informally, or that the state was targeting low-income African-American fathers for imprisonment rather than prosecuting higher-income fathers who were able to support their children. Fathers also remarked that if they did not have enough money to come up with a payment sufficient to keep them out of jail, they were even less likely to have it after serving time:

> The jails are full of these guys for child support, and it's the craziest thing. And it's counterproductive, because you have these guys—they're practically living on nothing. You lock them up for child support. These guys who are already living on the edge, living in a terrible neighborhood, working a horrible job. And then they get put in jail because they fall behind on their child support. (Vincent, p. 43, interview by Waller)

In fact, the perceived likelihood of jail may be rather greater than its actual frequency, but in the study by Waller, one-quarter of fathers said they had been arrested on child support charges.[8] Unfamiliar with child support regulations and without legal representation, many such fathers do not feel that they have "had their day in court." Many fathers were unaware that they should report changes in income or employment. They said they needed more flexibility when they were out of work or incarcerated, but often did not know that their support orders could be modified downward, or how to arrange such modifications. Some fathers may be deterred from seeking modifications by the expense and time involved.[9] And those who did seek their day in court felt they had met with a less than sympathetic hearing. Evidence of informal support, in cash or in kind ("a shoebox full of receipts" as some men put it), may count for little under the formal system.

## The consequences for policy

Although the self-reports documented here may overstate the willingness of noncustodial parents to support their children, the fact remains that many poor parents are reluctant to participate in the formal child support system.[10] Like more affluent parents, the unmarried, low-income parents interviewed preferred to negotiate private agreements for support. They believed that participation in the formal child support system was unlikely to improve their children's well-being, exacerbated conflicts between parents, and unduly burdened poor fathers. For many young, low-income fathers in particular, the insensitivity of the formal system to their precarious economic circumstances, the bias toward the mother that they perceived, and the threat of criminal sanctions combined to create a highly stressful situation. The easiest response to such stress is likely to be withdrawal from the child's life and evasion of the responsibility to pay support.

These conclusions do not point directly to obvious policy solutions. Indeed, the perceptions of low-income parents are often at odds with the objectives and the realities of

child support policies. To take merely one example, low-income parents believe that child support should increase their children's standard of living, whereas the pass-through regulation rests on the principle that the welfare system is responsible for support only when parents' earnings do not meet the state's minimum standard. We believe, nevertheless, that any comprehensive strategy to improve the performance of the system must take into account the views and circumstances of the parents and seek to enhance their willingness and ability to comply.■

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[1]All names used are pseudonyms. The studies from which each quotation is taken are listed in full in the note to Table 1.

[2]See, for example, the article by Freeman and Waldfogel in this *Focus*. California in particular has an abysmal record; in 1996, the state had established support orders for only 46 percent of eligible families, 22 percent below the national average.

[3]Parents in the studies were living in urban areas before the passage of welfare reform legislation in 1996. Because the 1996 reforms did not change the fundamental structure of the child support system, we believe that the difficulties parents in the studies reported with the child support system remain salient. Names of those interviewed are included when the original study does so.

[4]E. Sorensen and R. Lerman, "Welfare Reform and Low-Income Noncustodial Fathers: New Constraints and Opportunities," paper presented at the 19th Annual Research Conference of the Association for Public Policy Analysis and Management, Washington, DC, 1997.

[5]The pass-through that was required under federal law until 1996 was $50, but the actual value of what the mother received was about $35 after her food stamps were reduced.

[6]K. Edin and L. Lein, *Making Ends Meet: How Single Mothers Survive Welfare and Low-Wage Work* (New York: Russell Sage Foundation, 1997).

[7]See, for example, I. Garfinkel, S. McLanahan, and T. Hanson, "A Patchwork Portrait of Nonresident Fathers," in *Fathers under Fire: The Revolution in Child Support Enforcement*, ed. I. Garfinkel, D. Meyer, and J. A. Seltzer (New York: Russell Sage Foundation, 1998), pp. 31–60.

[8]On the frequency of imprisonment, see Johnson and Doolittle, *Low-Income Parents and the Parents' Fair Share Demonstration*, p. 27.

[9]Sorensen and Lerman, "Welfare Reform."

[10]Both resident mothers and nonresident fathers tend to overreport the amount of support owed and paid, but the bias is larger for fathers. See N. Schaeffer, J. A. Seltzer, and M. Klawitter, "Estimating Nonresponse and Response Bias: Resident and Nonresident Parents' Reports about Child Support," *Sociological Methods and Research* 20, no. 1 (August 1991): 30–59.

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# The ethnographic study for the W-2 Child Support Demonstration Evaluation: Some preliminary findings

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In the evaluation of the child support policies embodied in the Wisconsin Works (W-2) program that is now being conducted by the Institute for Research for Poverty there are two components—a large-scale experimental-design study and a modest ethnographic study. This article explains the ethnographic component and provides some preliminary findings from the field.

## The purpose of the ethnographic study

The intent of the qualitative component in the W-2 Child Support Demonstration Evaluation is to provide an understanding of the life experiences of noncustodial parents in the context of welfare reform. The mothers of the children in this sample have received benefits under Temporary Aid for Needy Families or its predecessor, Aid to Families with Dependent Children, and the noncustodial parents have child support orders. The ethnographic study will examine and document the complexities of lives and the effects of changes in child support policies and distribution rules in a way that survey and administrative records alone cannot.[1]

The particular areas on which we hope to acquire informative and policy-relevant research data are: the effects of child support policy on noncustodial fathers; noncustodial fathers' understanding of their own roles and responsibilities and of welfare reform in Wisconsin; and some personal data, including the noncustodial parents' earnings. The preliminary report will primarily provide limited demographic information about the study sample, but it will also explore noncustodial parents' knowledge of the current child support policy, reactions to the "pass-through" program, and attitudes to the welfare reforms occurring in Wisconsin (most specifically in Milwaukee).

## Sample and methodology

The sample for the ethnographic study consists of 35 noncustodial fathers, primarily African Americans, in the city of Milwaukee, Wisconsin. The interviewees range in age from 18 to 60. The fathers in the sample were randomly chosen from the state's child support administrative records (KIDS), which were divided into two tiers for the purposes of this research.[2]

### "Tier One"

The first tier consists of noncustodial fathers who were randomly selected from the KIDS data. The goal is to conduct interviews with 25 noncustodial fathers who fit the profile developed for this portion of the qualitative

**Jim Brown** is an African-American noncustodial parent in his thirties. He graduated from high school. Jim has applied for, and been rejected for many jobs. He now has employment with a temporary agency, and makes $7.00 an hour. He is unable to locate adequate employment because of a prior felony record for nonpayment of child support. He is single and lives with his girlfriend of five years, Lorraine, and their three children. The mother is not now receiving any W-2 services but formerly received AFDC and some medical and child care benefits. One of the children is from her previous relationship, but it has been legally established that Jim is the father of the other two children. He makes weekly child support payments for the two children living with him in the amount of $100 collected through wage garnishment. The custodial family has been assigned to the control group of the W-2 experiment, and they do not receive a "full" pass-through of his child support payments. All of his child support goes to reimburse the state except for $50.

Jim would like to work more at the temporary agency, but is reluctant to do so because the increased income will lead to an increased deduction from his paycheck for child support, and his family will not benefit. His checks are small after all fees and obligations from the child support order are taken out. Neither his job nor his girlfriend's provide for health insurance, they both have gross incomes that are too high for them to qualify for Medicaid benefits, and they were unaware that they might qualify for Wisconsin's BadgerCare Health Care program for low-income families. Thus his children do not have adequate health care coverage. After a recent emergency room visit, they were informed by the doctor that their youngest child is asthmatic.

sample.[3] At the present time, 18 noncustodial fathers are in the base sample and they are the basis for the discussion in this article.

**"Tier Two"**

The second tier of noncustodial fathers consists of participants in the Children First program.[4] This sample of parents was not randomly assigned but was drawn from two W-2 sites (United Migrant Opportunities Services, Inc., and Employment Solutions). We were interested in obtaining data on fathers who have participated in job-search and job-training programs, such as Children First. Thus the Children First sample is a purposive sample similar to the Manpower Demonstration Research Corporation sample in the Parents Fair Share program.[5]

Fathers in both tiers share some common characteristics: their children are recipients of public assistance and they have child support orders entered against them. In addition, we wanted to interview noncustodial parents who have had problems with making payments and with employment prior to the experiment.

contempt of court for nonpayment, or for a felony conviction for criminal nonsupport.[7] Some of these men may be engaged in illegal activities or in work for which they do not report earnings. Often they are trying to keep money to provide for their child(ren) financially.

To protect the information we are collecting, the project was awarded a certificate of confidentiality by the Department of Health and Human Services.[8] All subjects are required to construct a pseudonym.

**Challenges of random sampling for a qualitative research project**

A distinctive feature of this qualitative research project is that the majority of the sample participants are randomly selected from an administrative dataset. The method of random sampling in this population posed substantial challenges to the researchers. It was difficult to gain access to prospective subjects, to persuade individuals that there would be no negative repercussions from participation, and to have them consent to an interview. It is understandable that these men were distrustful of our

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Jimmy is a 23-year-old African-American man. He works as a security guard on the third shift. He and his former girlfriend, Patricia, have a three-year-old daughter. They no longer live together or romantically date but have decided to raise their child cooperatively. They are unable to afford all-day child care so he picks up the baby at 3 o'clock every afternoon from daycare and keeps her until the mother gets home from work at 5:30 in the evening. Jimmy is also responsible for at least 50 percent of the child care fees on a weekly basis. He lives with his mother because he is unable to afford his own place. Recently, he received in the mail a summons to appear in court for child support and paternity establishment. He decided, along with the mother of his baby girl, that it would be good to be legally recognized as the father. When the two of them appeared in court, they both acknowledged his paternity and then were told that he was being charged for the birthing costs of the baby, amounting to $1,875. He was unaware that he would be charged for the delivery of his baby. He and his former girlfriend have never received any public assistance except for Medicaid. He sees his baby every day of the week and sometimes all weekend. He buys her clothes, shoes, food, and other necessary items. He was thinking about going to school at a local community college but with the birthing fees to pay, he will have to wait for another year.

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We have collected data through semistructured interviews that have lasted from 45 minutes to 3 hours. Fathers who participate in the first semistructured interview will be contacted once or twice more, for updates. These interviews began in May 1999 and are expected to end in August 2000. Finally, we will attempt a last interview with each participant who was initially interviewed.

**Confidentiality**

Because we are interested in learning about all of the ways in which people create income-producing activities, guaranteeing confidentiality to these parents, in order to gain their trust and convince them to share their life experiences, was a high priority.[6] We expected that some fathers would routinely be providing in-kind contributions or informal child support to the custodial parent. This behavior is considered welfare fraud on the mother's part. If informal payments are substituted for formal child support payments, the noncustodial parent would continue to accumulate a large debt and subsequently place himself at serious risk of being jailed for

intentions. Many of them have experienced consistently negative interactions with government officials, police, and people in positions of authority.[9]

**Characteristics of the interviewees in the preliminary report**

All of the men are African Americans and lived in Milwaukee at the time of the interview. Their average age is 35. Fourteen of the fathers have either a high school diploma or GED certificate, and 12 had a full-time job at the time of the first interview. Nine have been married at some point, and 14 have been arrested and incarcerated. The median number of children these men have is two. The majority of the men live with someone (most likely their girlfriends or their mothers) in a home where their name is not on a lease, but three are homeowners; all of them were able to purchase their homes by taking advantage of veterans' benefits.

Eight men have physical custody of their children, even though they are legally considered the noncustodial par-

ent. At the time of the interview they lived in the same home with the (legal) custodial parent and the children, and had an active and current child support order for the children. The remaining ten nonresident fathers were regularly involved in their children's lives. Two of the men with a current and active child support order were on Supplemental Security Income.

## Preliminary findings

The preliminary findings that will guide our future analysis can be succinctly expressed:

- The low-income men in this sample know very little about the mechanics of the child support system. Many have little or no knowledge about the rules and procedures of the Children First program either.
- The majority of the men in this sample are facing housing insecurity. Because of the combination of low wages, child support obligations, and the associated fees and arrears, many do not make enough money to maintain an apartment but must live with relatives, friends, or girlfriends.
- Economic opportunities for these low-income noncustodial parents are limited.[10] Many of the men in the study sample complained about their inability to get a better job because of felony convictions that were sometimes due to nonpayment of child support arrearages. Under law, the employer cannot discriminate, and it is illegal to fire or not to hire someone because of prior felony convictions. Nevertheless, noncustodial fathers in the sample state that they are routinely denied employment after the prospective employers discover that they have a felony conviction record.

  Debt (much of it due to child support obligations), low-wage jobs, and feelings of hopelessness over their current life situation combine to have severe effects on these noncustodial fathers.[11] Even when they find "good" jobs (which many defined as jobs paying at least $10 an hour), keeping them is hard. Wage garnishment takes away the little control that they could have in managing their income. The men reported the garnishment not only of wages but also of tax refunds, and even in one case of a student aid grant to attend college. They also reported that beautician's and driver's licenses were taken away.
- For many of these men, the level of child support is high relative to their potential earning capability. The higher the debt, the less incentive there is to work to pay off the debt, which quickly gets out of their control. For example, one 55-year-old man makes $7.25 an hour and owes $30,000 in child support arrears. He is unlikely ever to clear so large a debt.
- Despite a lack of economic resources, these men participate in their families' lives as caregivers and are active participants in social networks. Several of the men not only cared for their own children on a daily basis but were responsible for the well-being of their biological parents.
- Some of these men have made what may be considered life mistakes early. They perhaps had a baby as a teenager, dropped out of school, ignored their original paternity establishment notice in the mail because they did not understand it or knew they could not pay it. The rigid and punitive nature of the child support system (e.g., compounded interest and incarceration) is designed to reimburse the government for welfare costs rather than to increase the well-being of the household where the child lives. Moreover, the options that many of these African-American men have are limited by the realities of the structural racism and discrimination that follow them throughout their lives.[12]

## Policy considerations

Even very early in this research project, certain policy issues have emerged:

1. In poor, primarily African-American communities, W-2 and the child support agencies need to ***better com-***

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Ivy is a 30-year-old African-American man, with a two-year college education. Two of his seven children, aged 10 and 13, are in his physical custody. His son is asthmatic and requires daily maintenance medication. The three of them live in a three-bedroom apartment in the city. Ivy also received legal custody of these two children, who were going to be released into foster care because their mother was unable to provide for them adequately. Ivy has held management positions in the past few years, but he has been unemployed for the last six months. He left his last job in discouragement because he was bringing home a paycheck that amounted to 25 percent of his net pay. The remainder went to pay child support for the other five children. Ivy had separate orders, each of which ordered that 17 percent be deducted for the child, and despite several attempts to combine his orders at the courthouse, he was unable to navigate the legal system for a modification. He has been looking for work but has received only rejections. At the time of the last interview, he had been threatened with eviction in two days because he had been unable to pay his rent. His options were limited. He has no family in Milwaukee; his mother lives in Green Bay but is now in a shelter. He had pondered the possibility of a shelter, but many shelters will not take men with adolescent boys. He sought help at various human service organizations, but help could not come fast enough in his current crisis. He was evicted and homeless two days later.

**Ricky** is a 42-year-old man with four children. He has lived with his fiancée, Emma, the mother of his two youngest children, for eleven years. He has worked in maintenance at a local company in Milwaukee for the last eight years, and his fiancée works with the elderly in a nursing home. His older children are 19 and 21 years old and living in their own apartments. He is no longer paying child support for them, but pays $232 per month in child support and associated fees for the two children that live with him. The mother has been designated as an experimental group member. Therefore, she gets all the money that he pays back into the household. He refuses to stop paying child support even though a state clerk has told him that he has the option of not paying because he lives with his children. He stated "I am too afraid to stop paying because I don't know what the government might do to me. They may come back later and said that I never paid anything."

***municate the resources and opportunities*** that are available to low-income, noncustodial parents through their programs. In these communities, access to well-paying jobs is elusive. Good jobs are the only kind that might allow a father to support himself economically and meet his child support obligation. Low-income communities also need greater access to information about other programs for low-income families, such as health insurance through Wisconsin's BadgerCare program.[13]

2. The lack of understanding of the child support system and the obligation it creates leads some low-income, noncustodial men to avoid the system completely. This, in turn, creates large debts that may be impossible *ever* to pay off. ***Better public education is essential.***

3. The child support system must acknowledge that ***having work is essential to paying child support,*** as many of the men interviewed quite logically pointed out. Furthermore, placing low-income fathers with children on welfare in jail and withholding the licenses of low-income fathers does not assist them in becoming self-sufficient and productive adults. ■

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[1]See the Joint Center for Poverty Research, Poverty Research *Newsletter* 4, no. 1 (February, 2000). This issue highlights the use of quantitative and qualitative research methods in analyzing social policy. On qualitative research, see also E. Johnson, A. Levine, and F. Doolittle, *Fathers' Fair Share: Helping Poor Men Manage Child Support and Fatherhood* (New York: The Russell Sage Foundation, 1999).

[2]Kids Information Data System (KIDS) is an automated child support enforcement system that contains case management information about all child support payments received and processed by the counties as a result of a court order.

[3]After a review of the KIDS dataset, 1,009 noncustodial fathers met the stringent criteria for inclusion in the base population of the research project. The population was distinguished by being an approximately equal mix of experimental- and control-group members. This population was then randomly assigned into a smaller sample of 250, which was the working sample used to recruit participants for a face-to-face interview with one of the researchers. There were seven waves of letters set out to 162 noncustodial fathers. Each wave consisted of an initial letter with a follow-up phone call, and a second letter.

[4]Children First, or the Community Work Experience Program for noncustodial parents, began in 1988 as a pilot program, to provide work experience and training to unemployed and underemployed noncustodial parents who are unable to meet their child support obligations and to promote their emotional and financial responsibility toward their child(ren).The court orders participation in the Children First program, but a noncustodial parent can also voluntarily enroll, by stipulation through the Child Support Agency, and perhaps avoid having to experience the contempt proceedings. The Children First program is successfully completed when the participant makes full and timely child support payments for three consecutive months or completes 16 weeks of employment and training activities. In Milwaukee County, program services are provided by the W-2 agencies, the County Department of Child Support Enforcement, and the state. Some of the services are job placement, résumé preparation, parenting classes, and transportation assistance. Participants who fail to participate can be jailed for up to six months, and will still owe the full amount of their child support order, along with interest.

[5]Qualitative sampling is generally purposive or purposeful. A purposive sampling means adopting certain criteria to choose a specific group and setting to be studied. The criteria for sampling must be explicit and systematic. See M. LeCompte and J. Preissle, with R. Tesch, *Ethnography and Qualitative Design in Educational Research*, 2nd ed. (Chicago: Academic Press, 1993). The Parents Fair Share (PFS) Demonstration conducted by the Manpower Demonstration Research Corporation was a multisite test of programs that require noncustodial parents (usually fathers) of children on welfare to participate in employment-related and other services when they are unemployed and unable to meet their child support obligations. See D. Bloom and K. Sherwood, *Matching Opportunities Obligations: Lessons for Child Support Reform from the Parents' Fair Share Pilot Phase* (New York: Manpower Demonstration Research Corporation, 1994) and Johnson, Levine, and Doolittle, *Fathers' Fair Share*.

[6]Previous researchers in this area have also found that the sensitivity of this information requires a high level of confidentiality. See K. Edin and L. Lein, *Making Ends Meet: How Single Mothers Survive Welfare and Low-Wage Work* (New York: The Russell Sage Foundation, 1997); Johnson, Levine, and Doolittle, *Fathers' Fair Share*; and the article in this *Focus* by Waller and Plotnick.

[7]Wisconsin Child Support Policy and Program Administration Manual, Section 3.13.1, § 948.22(2) and (3), Wis. Stats. and Section 3.13.4 § 939.50, Wis. Stats., § 939.51, Wis Stats., § 948.22, Wis. Stats. "Criminal nonsupport" is defined as intentional failure for 120 or more consecutive days to provide any spousal, grandchild, or child support that the person knows or reasonably should know that he or she is legally obligated to provide. This is a Class E felony, for which the penalty is a fine, not to exceed $10,000 or imprisonment for two years or less, or both. See Wis. Stat. Ann § 111.355 (1) (u).

[8]The Certificate of Confidentiality is needed because sensitive information will be generated which, if disclosed, could expose the subjects to adverse legal, economic, psychological, and social consequences. This information includes, inter alia, information about illegal income and/or in-kind or informal payments to the mother which, if unreported, might be construed as welfare fraud by the mother. The certificate helps the researchers protect the confidentiality of this information from subpoena and involuntary disclosures.

[9]See M. Duneier, *Sidewalk* (New York: Farrar, Straus, and Giroux, 1999). The Introduction and Appendix sections of his book provide excellent insights on the challenges faced by ethnographers in conducting their research.

[10]On nonresidental fathers and their economic hardships see K. Edin, L. Lein, and T. Nelson, "Low-Income, Non-Residential Fathers: Off-Balance in a Competitive Economy, An Initial Analysis," a report for the HHS Fatherhood Initiative, September 28, 1998. It is available on the World Wide Web site of the Department of Health and Human Services at < http://aspe.hhs.gov/fathers/eln/eln98.htm >

[11]PRWORA allows states to sanction noncustodial parents who are in arrears on their court-ordered child support payments. A recently proposed regulation for noncustodial parents participating in the Food Stamp Program (FSP) is to disqualify households containing a noncustodial parent who is in arrears on his/her child support payments from receiving food stamps. See Paula Roberts, Center for Law and Social Policy, Memorandum dated 1/31/2000, < http://www.clasp.org/ >

[12]According to Donna Franklin, "no attention is being paid to the operation of forces that deny access to jobs, sustain discrimination in housing, or provide inferior education or no education to ghetto residents." See *Ensuring Inequality: The Structural Transformation of the African-American Family,* Introduction and Chapters 8 and 9 (New York: Oxford University Press, 1997). See also C. West, *Race Matters*, Introduction and Chapter One (Boston: Beacon Press, 1993) and W. Wilson, *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy* (Chicago: University of Chicago Press, 1987).

[13]BadgerCare is a new program that started July 1, 1999, to provide health insurance for uninsured, low-income children and their parents in Wisconsin. Families with incomes less than 185 percent of the federal poverty line are eligible.

In March of 1999, the federal Department of Health and Human Services established a Medical Child Support Working Group, as required by The Child Support Performance and Incentive Act of 1998 (CSPIA; PL 105-200), to develop a performance indicator that would measure the effectiveness of state child support enforcement agencies in establishing and enforcing medical support obligations for children. (Under discussion at these meetings is a recommendation not to charge the noncustodial parent birthing fees, the subject of one vignette in this article.)


***Fathers' Fair Share: Helping Poor Fathers Manage Child Support***

Earl S. Johnson, Ann Levine, and Fred C. Doolittle

A detailed study of the Parents' Fair Share Program that examines its employment training services, peer support groups, and dispute mediation procedures and explores participating fathers' expectations and attitudes.

April 1999, 320 pp., $45.00. For information: Russell Sage Foundation, 112 East 64th Street, New York, NY 10021 Tel., 212.750.6000; Fax, 212.371.4761; e-mail, info@rsage.org.

# The effects of Parents' Fair Share on the employment and earnings of low-income, noncustodial fathers

John M. Martinez and Cynthia Miller

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In the debate over welfare reform, noncustodial fathers have figured primarily as targets of increased child support enforcement efforts. Too often overlooked is the fact that many of the fathers associated with families receiving public assistance may be unskilled and insecurely employed. If child support payments are to contribute significantly to the well-being of single-mother families, then these fathers must be given better opportunities to meet their obligations.

The Parents' Fair Share (PFS) Program, a demonstration program conducted in seven urban areas across the country, was designed to do just that.[1] In exchange for fathers' cooperation with the child support system, PFS offered services to help them find more stable and higher-paid work and become better parents. The programs were run through partnerships between state and local agencies and community-based organizations.

PFS, which began in 1994, was directed toward unemployed or underemployed noncustodial fathers of children on AFDC who had support orders in place but were not paying child support. The services that PFS programs offered them had four main components: peer support, employment and training services, enhanced child support enforcement, and mediation between custodial and noncustodial parents.[2] For fathers referred to the program, participation was mandatory. If they cooperated, their child support orders were reduced; when fathers found employment—or if they stopped participating in the program—orders were restored to their previous level.

Beginning in 1994, the Manpower Demonstration Research Corporation undertook a full-scale evaluation of the program. Between 1994 and 1996, over 5,000 noncustodial parents eligible for PFS in the seven sites were randomly assigned to either a program group that would receive PFS services or a control group that would not. In the report summarized here we examine the effects of PFS on the employment and earnings of the men who took part, drawing information from state administrative data for the full sample and from a detailed survey administered to a smaller group of about 550 fathers one year after they entered the program.[3]

## The characteristics of low-income fathers referred to PFS

Fathers referred to the PFS program because they had been unable to meet their support obligations were more disadvantaged than low-income noncustodial fathers in general. The men in the survey sample were relatively young (nearly three-quarters of them were under age 35), and the majority (60 percent) had never been formally married. Over half were black, almost a quarter Hispanic.

Over a third of the fathers in the survey sample lived alone, and a quarter were living with their parents. About the same percentage shared a house with a spouse or partner, some of whom were supporting other children. But living situations

**Table 1**
**Potential Barriers to Employment among Noncustodial Fathers**

| | % |
|---|---|
| Housing status | |
| Own home | 5.8 |
| Rent home | 29.3 |
| Live with family and friends and contribute to rent | 31.5 |
| Live with family and friends and don't contribute to rent | 7.9 |
| Other | 25.5 |
| Housing stability | |
| Among those who own, rent, or contribute to rent | |
| Stayed in 3 or more places since random assignment | 21.5 |
| Slept in shelter, car, or public place in the last 3 months | 5.7 |
| Among those with other arrangements | |
| Stayed in 3 or more places since random assignment | 26.1 |
| Slept in shelter, car, or public place in the last 3 months | 13.6 |
| Education | |
| No high school diploma/GED | 49.5 |
| High school diploma/GED | 49.9 |
| Associates degree or higher | 0.6 |
| Health | |
| Rates as good or excellent | 73.6 |
| Reports a disability[a] | 12.4 |
| Reports drug use in past month | 13.7 |
| Reports alcohol use in past month | 31.7 |
| Arrest/conviction history | |
| Arrested and charged with crime since random assignment | 31.6 |
| Drug-related | 24.8 |
| Driving without a license | 19.6 |
| Other | 55.6 |
| Convicted of criminal offense since age 16 | 68.5 |

Source: MDRC calculations from noncustodial parent survey (control group only, N = 261) and Parents' Fair Share background information form.

[a]Fathers were classified as disabled if they listed ill health or disability as a reason that they were not looking for work, if they received Supplemental Security Income, or if they had been bedridden for more than 30 days in the past year.

were unstable for a large minority (see Table 1), and this may hinder their ability to enter the labor market or stay employed. Men with unstable housing may not be able to give a permanent address or phone number to a prospective employer, but may have to rely on a beeper—a circumstance which may make them uncomfortable and the employer less interested. And they have less opportunity for ongoing social contact, an important link to potential employers.[4]

The men in the survey faced other serious barriers to employment. Nearly half did not have a high school diploma or GED, and nearly 70 percent reported that they had been convicted of a criminal offense since age 16 (Table 1). Earl Johnson and his colleagues found that some fathers did not get jobs because they failed employer drug tests.[5]

## Employment and earnings of control group members

Unstable housing, low education, limited work experience, and drug use are, in general, associated with low earnings and unstable employment. The fathers referred to PFS are no exception: those without a high school diploma were both more likely to be unemployed and more likely to leave employment in a given month than men who had completed high school. Those who reported drug use in the month before the survey and those who had little work experience before random assignment were also less likely to work.

Table 2 reports employment and earnings in the year after random assignment for fathers who were in the survey sample, but not receiving PFS services (the control group). Nearly 40 percent of the men earned less than $5,000, and average earnings were $5,894, considerably less than the average earnings of around $25,000 for all nonresident fathers.[6] On average, the fathers in the sample earned slightly over $7 per hour, and nearly three-quarters of those who were employed worked full time. But even those who worked full time were much less likely to have employer-provided benefits than are workers in general; around 30 percent of PFS fathers had such benefits, whereas nationally, over 60 percent of employees received employer-provided health insurance in 1999, and over 50 percent had paid sick days.

Although 70 percent of surveyed fathers worked at some point during the previous 12 months, this overall employment rate indicates neither how long the average job lasted nor whether men experienced spells of unemployment. A significant fraction (around 30 percent) were never employed the entire year; almost as many (22 percent) were always employed.

**Table 2**
**Employment, Earnings, and Job Search Activities of Fathers in the Parents' Fair Share Control Group**

| | |
|---|---|
| Employed within 12 Months of Random Assignment | |
| UI records | 80.5% |
| Reported on survey | 70.0% |
| Average Earnings within 12 Months of Random Assignment | |
| UI records | $5,449 |
| Reported on survey | $5,894 |
| Among those employed | $8,204 |
| Characteristics of most recent job, for those employed (N = 180) | |
| Average hourly wage | $7.10 |
| Average weekly hours | |
| 1–19 | 3.9% |
| 20–34 | 23.6% |
| 35+ | 71.9% |
| Employer-provided benefits for those working 30+ hours | |
| Paid sick days | 21.2% |
| Paid vacation | 33.1% |
| Health benefits | 32.0% |
| Job Search Activities, if not employed at survey (N = 126) | |
| Looking for work | 63.9% |
| Hours in last month spent looking | |
| Less than 20 | 36.6% |
| 21–40 | 32.7% |
| 40+ | 30.6% |
| If Neither Employed Nor Looking for Work, Reason (N = 46) | |
| Ill health, disability, or other personal handicap | 24.7% |
| In jail | 23.9% |
| Other | 51.4% |

Source: MDRC calculations from noncustodial parent survey and Unemployment Insurance (UI) administrative records.

Note: Data are for fathers from the control group for the survey sample (N = 261). UI records may well miss earnings for individuals who work off the books, out of state, or in uncovered employment; men answering a survey may fail to remember small intervals of employment, or underreport their earnings.

## The effects of PFS on employment and earnings

For the sample as a whole, PFS did not significantly increase fathers' employment or earnings in the first two years during which they were followed. However, there is evidence that the program increased earnings for more disadvantaged men, particularly those who entered the program later in the evaluation, by increasing the duration and quality of their jobs. For less disadvantaged men, PFS somewhat reduced employment rates among those who would have worked in part-time, lower-wage jobs, perhaps by encouraging them to hold out for better jobs. The full story on the effects of the program comes from examining impacts on the full sample and the survey sample and from using earnings data from two sources.

First, the program's impacts were different for the full sample and the survey sample, in part because the survey respondents are a somewhat select group of men, and in part because the survey sample came from a late cohort of fathers. The program had bigger effects on the later cohort, either because the local economies changed over time or, as the implementation research suggests, the program became more effective over time: job search services improved as technical assistance was provided, and the coordination between PFS staff and the child support enforcement agencies also improved.[7]



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**Table 3**
**Effect of PFS on Employment, Earnings, and Benefits for Noncustodial Fathers**

| Outcome | Program Group | Control Group | Effect |
|---|---|---|---|
| Full PFS Sample (N = 5020) | | | |
| Year 1 (UI) | | | |
| Employed | 71.9% | 70.4% | 1.5 |
| Earnings | $4,928 | $4,876 | $52 |
| Year 2 (UI) | | | |
| Employed | 70.3% | 69.7% | 0.6 |
| Earnings | $6,238 | $6,079 | $159 |
| PFS Survey Sample (N = 553) | | | |
| Year 1 | | | |
| Employed (UI) | 75.4% | 81.2% | -5.8* |
| Earnings (UI) | $6,090 | $5,412 | $678 |
| Employed (survey) | 70.2% | 70.1% | 0.1 |
| Earnings (survey) | $7,150 | $5,779 | $1,371** |
| No. quarters employed (UI) | | | |
| 0 quarters | 24.6% | 18.8% | 5.8* |
| 1 quarter | 10.1% | 18.9% | -8.7*** |
| 2–3 quarters | 29.4% | 28.4% | 1.0 |
| 4 quarters | 35.9% | 34.0% | 1.9 |
| Characteristics of most recent job[a] (survey) | | | |
| Hours worked | | | |
| <35 hours | 15.7% | 19.9% | -4.2 |
| 35+ hours | 54.5% | 49.9% | 4.6 |
| Wage range | | | |
| <$5/hr | 4.6% | 7.4% | -2.8 |
| $5–$6.99/hr | 24.2% | 30.1% | -5.8 |
| $7–$8.99/hr | 22.4% | 18.4% | 4.0 |
| >$9/hr | 17.1% | 9.9% | 7.2** |
| Benefits | | | |
| Paid sick days | 20.0% | 13.5% | 6.4** |
| No paid sick days | 48.7% | 55.5% | -6.8 |
| Health insurance | 25.6% | 19.0 | 6.6* |
| No health insurance | 42.5% | 49.9% | -7.4* |

Source: MDRC calculations from noncustodial parent survey and background information forms and from Unemployment Insurance (UI) administrative data. Massachusetts site not included in the analysis as data not available for the full sample after quarter 3.
***p < .01, **p< .05, *p< .10

[a]Respondents for whom information is missing are excluded.

Second, the impacts are also somewhat different depending on whether we use Unemployment Insurance (UI) or survey data. The survey data may capture "off-the-books" work or work not reported by employers, so it is not surprising, especially for this group of men, that the two sources might give different results.

For the full sample, UI data show almost no difference between program participants and the control group in employment or earnings (Table 3). The survey data suggest, however, that those in the PFS program had higher earnings in year one.

When we considered the seven sites individually, we found, as we would expect, that employment and earnings for both program and control groups varied according to local labor market conditions or differences in the characteristics of the fathers at each site. For example, fathers in Memphis earned substantially less than fathers in the other sites (an average of $3,591 for quarters 1–4 of the follow-up, compared to $4,200–$5,900 in the other sites).

Again, according to UI data, PFS did not consistently or significantly affect employment or earnings except in two sites, Grand Rapids and Dayton. In Grand Rapids, the program increased earnings by a statistically significant amount in the later quarters, though without a corresponding increase in employment rates. In Dayton, the program increased both employment and earnings rates in the early quarters. Grand Rapids was one of only two sites that placed a fair number of fathers into on-the-job training slots (nearly 20 percent within one year of random assignment). The increase in earnings, without an increase in employment rates, may be explained by the fact that these slots provided men with higher-paying jobs than they would have found otherwise.

In three sites, Memphis, Trenton, and Los Angeles, PFS tended to have negative employment and earnings impacts. The Los Angeles and Memphis programs placed an emphasis on skills training (primarily basic education in Memphis). The absence of any improvement in either employment or earnings after two years suggests that this strategy does not seem to be having long-term positive effects.

It seems likely that PFS would have different effects on men who may have more or less difficulty finding jobs on their own. Thus, we explored whether fathers' education levels and previous work experience made a difference (Table 4).

*Education*. UI data suggest that the program produced generally larger effects on the employment and earnings of men without a high school diploma, and survey data, consistent with findings for the whole sample, also show a substantial increase in earnings for these men. Our analyses suggest that for this group the program increased the duration of employment among men who would have worked anyway and improved the types of jobs they found—18 percent of program members held jobs paying over $9 per hour, compared with 8.3 percent of control members.

*Prior work experience*. Both the UI data and survey data in Table 4 suggest that the PFS program had a larger effect on the most disadvantaged group—those who had not worked within the six months prior to random assignment (about half of these men had a high school diploma). Again, the impact on earnings is much larger for the survey group, who entered the program later. And again, the earnings increase appears to be driven by an increase, among men who would have worked anyway, in the duration of employment and the quality of jobs.

We also examined the program's effects by race. In general, the differences by race (not shown) are not as great as the differences by education and work experience. Nevertheless, the effects of the program appear to be smaller for African-American fathers than for the remainder of the sample.

**Table 4**
**Effects of PFS on Employment, Earnings, and Benefits, for the Survey Sample at the End of the First Year**

| Subgroup Characteristic | Employed | Earnings |
|---|---|---|
| **Education** | | |
| High School Diploma | | |
| UI | | |
| Program Group | 78.6% | $6,926 |
| Control Group | 86.6% | $6,304 |
| Effect | -8.0* | $622 |
| Survey | | |
| Program Group | 71.7% | $6,666 |
| Control Group | 79.8% | $6,534 |
| Effect | -8.0 | $132 |
| No High School Diploma | | |
| UI | | |
| Program Group | 72.0% | $5,171 |
| Control Group | 75.3% | $4,428 |
| Effect | -3.3 | $743 |
| Survey | | |
| Program Group | 67.9% | $7,178 |
| Control Group | 61.5% | $4,969 |
| Effect | 6.4 | $2,209** |
| **Prior Employment[a]** | | |
| Recently employed | | |
| UI | | |
| Program group | 80.0% | $6,630 |
| Control group | 88.6% | $6,606 |
| Effect | -8.6* | $24 |
| Survey | | |
| Program group | 74.4% | $7,431 |
| Control group | 81.9% | $6,977 |
| Effect | -7.5 | $454 |
| Not recently employed | | |
| UI | | |
| Program group | 69.3% | $5,221 |
| Control group | 68.3% | $3,551 |
| Effect | 1.0 | $1,669* |
| Survey | | |
| Program group | 62.5% | $6,050 |
| Control group | 52.7% | $3,762 |
| Effect | 9.9 | $2,288** |

**Source:** MDRC calculations from noncustodial parent survey and Unemployment Insurance (UI) administrative records. N = 553.
*** p < 0.01, **p < 0.05, *p < 0.10

[a]Men who worked within the 6 months before random assignment are defined as "recently employed."

Did the level of participation in PFS services make a difference? Just 61 percent of fathers in the program group participated at all (these rates are comparable to rates achieved in male-targeted welfare-to-work programs that are generally considered successful).[8] Of the services offered, only two achieved impacts on participation above single digits—job clubs (32.6 percent participated) and peer support groups (46.8 percent participated). The effects of the program would appear to be generated largely by fathers' participation in these two activities, as well as the overall PFS mandate. (From other data, we know that only about 10 percent of PFS fathers participated in on-the-job training or skills training.)

In sum, then, the PFS program appears to have been moderately successful in improving employment and earnings among the less employable fathers, those without a high school diploma and little recent work experience. It had no effect on the earnings of the more employable fathers and even caused a slight reduction in employment. Fathers who dropped out of the work force in response to PFS seem likely to be those who would have worked part time and earned relatively low wages. It has, indeed, been suggested that many fathers may have come into the programs with heightened expectations about the types of jobs that could get, and may have been less willing to accept lower-wage job offers.[9]

A quarter of the men assigned to PFS did not work at all during the year; some men appear to need more intensive services to keep and find jobs than PFS offered. Such programs might achieve greater effects if they were explicitly designed to deal with low education as a barrier to employment while still meeting their need for income, perhaps by providing additional skills training in combination with part-time work. For men who remain unable to find jobs through the program, community-service employment may be a way to acquire much needed work experience. ■

[1]The sites were Dayton, OH, Grand Rapids, MI, Jacksonville, FL, Los Angeles, CA, Memphis, TN, Springfield, MA, and Trenton, NJ.

[2]Some examples of enhanced enforcement included designating caseworkers who understood PFS objectives to serve program participants, allowing these designated caseworkers to handle smaller caseloads, and implementing mechanisms to ensure that caseworkers learned of employment more quickly than the standard.

[3]This article summarizes a longer study by the authors, "Increasing the Employment and Earnings of Low-Income, Noncustodial Fathers: Evidence from Parents' Fair Share," unpublished report, MDRC, New York, February 2000.

[4]E. Johnson, personal communication.

[5]E. Johnson, A. Levine, and F. Doolittle, *Fathers' Fair Share: Helping Poor Fathers Manage Child Support* (New York: Russell Sage Foundation, 1999).

[6]See I. Garfinkel, S. McLanahan, and T. Hanson, "A Patchwork Portrait of Nonresident Fathers," in *Fathers under Fire: The Revolution in Child Support Enforcement*, ed. I. Garfinkel, S. McLanahan, D. Meyer, and J. A. Seltzer (New York: Russell Sage Foundation, 1998); E. Sorensen, "A National Profile of Nonresident Fathers and Their Ability to Pay Child Support," *Journal of Marriage and the Family* 59, no. 4 (1997): 785–97.

[7]F. Doolittle, V. Knox, C. Miller, and S. Rowser, *Building Opportunities and Enforcing Obligations: Implementation and Interim Impacts of Parents' Fair Share* (New York: MDRC, 1998).

[8]Doolittle and colleagues, *Building Opportunities*.

[9]Doolittle and colleagues, *Building Opportunities*.

# Dunning delinquent dads: Child support enforcement policy and never-married women

Richard B. Freeman and Jane Waldfogel

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The economic plight of single-parent families headed by never-married women has drawn increasing public attention to absent parents who fail to meet financial obligations toward their children.[1] If these parents fulfilled those obligations, would the level of poverty among never-married mothers decline? Some statistics suggest so. They also suggest that women receiving child support are somewhat less likely to turn to welfare for assistance—a fact of even greater interest to public officials (Figure 1).

Since the mid-1970s, a far-reaching set of federal laws and regulations has offered new incentives and imposed new obligations on state governments, custodial parents receiving public assistance, and nonresident parents (see p. 3). A flurry of state laws has been passed to enforce and increase the support paid by absent parents, and state and federal budgets for child support enforcement have risen substantially.

How successful has this effort been? To explore this question we draw upon state administrative data and child support data in two national databases, the Survey of Income and Program Participation (SIPP) and the March and April Current Population Surveys (CPS). These sources provide a consistent picture of the effects of the increased national effort to raise child support payments by absent fathers.

## Meeting federal requirements

State efforts to comply with federal laws have targeted four stages in the process of enforcing child support payments on absent parents, who are overwhelmingly fathers.

### 1. Establishing paternity

In 1992, some 3.1 million children had no legal father. There was little consistency in state policies in this area: between 1989 and 1992, paternity establishment rates for children born to never-married mothers ranged from 3 percent in the District of Columbia to 87 percent in West

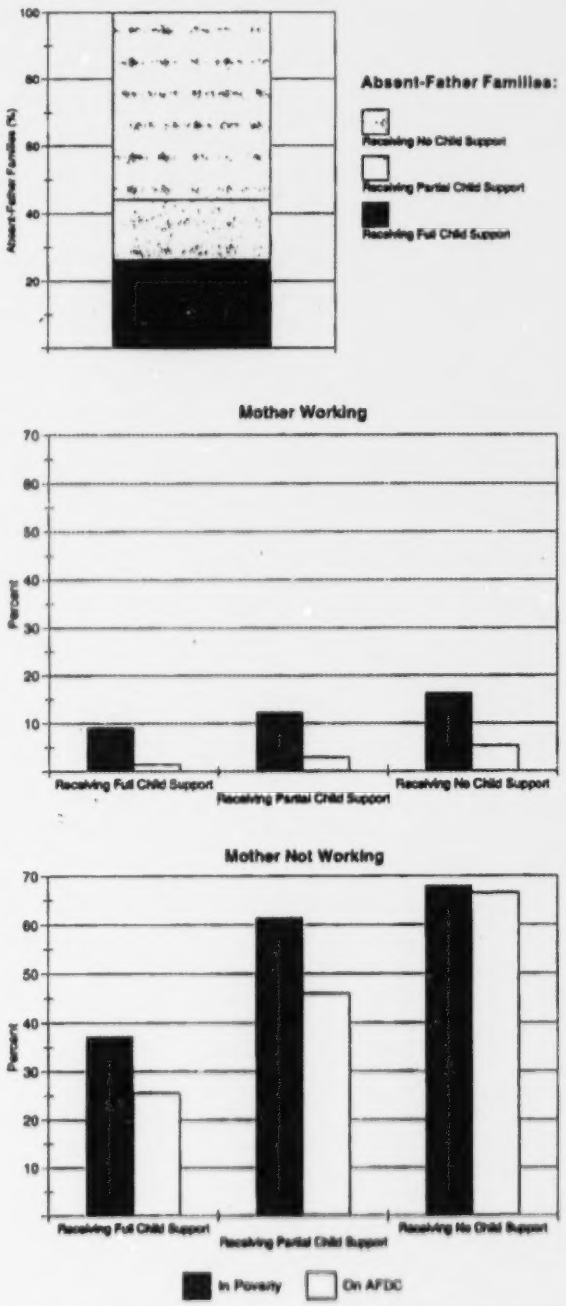


**Figure 1. Poverty and child support among families with absent fathers, 1991.**

Source: SIPP Child Support Module, 1991.



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Virginia. Responding to the requirements of the Family Support Act of 1988, states steadily increased their efforts, almost doubling the number of children for whom paternity was established. Still, in 1993, state governments on average were establishing paternity for only 16 percent of cases to which it was applicable.

**2. Obtaining a support order**

Some single-parent families make arrangements for informal child support, but about two-thirds of those who obtain support do so through formal court or child support agency arrangements. The federal government requires states to establish and use guidelines for setting support orders (see the article by Rothe and Meyer in this *Focus*). In the mid-1990s, states were regularly establishing over a million orders each year, for both formerly married and never-married mothers.

**3. Locating the absent father**

In fiscal year 1993, states allocated 15 percent of their child support budgets to finding absent parents and determining their incomes or assets. As of that year, they had located nearly 4.5 million absent parents. Many absent fathers are not, however, in the work force, but are in prisons and jails. U.S. Department of Justice figures indicate that in 1991 approximately 840,000 absent fathers were incarcerated—roughly 10 percent of all absent fathers.[2] By extrapolation, this suggests that approximately 1 million absent fathers were incarcerated in 1998.

**4. Collecting money**

Between 1984 and 1992, expenditures on enforcement for AFDC cases doubled, from about $11 million to about $22 million. But expenditures on non-AFDC cases increased fivefold, reaching $16.5 million in 1992, and the share of funds spent on AFDC cases fell from 84 percent to 57 percent.[3] In 1993, the Child Support Enforcement program collected $8.9 billion, nearly three-quarters of it involving families not on AFDC.

Withholding of wages has become a major tool for collecting child support. Initially limited to delinquent fathers, withholding was extended, in 1988, to all new and modified orders in AFDC cases. In FY 1993, over half the money collected by child support agencies took the form of wage withholding. Another 16 percent consisted of withheld taxes, unemployment insurance, and the like. Only 38 percent of payments were "routine payments" from absent fathers. In 1985, by comparison, nearly all the money collected had been routine payments.

## The puzzle: Increased effort but stable proportions of support

The administrative data show child support efforts steadily increasing over time—more support orders, more money collected, more wage withholding. These data suggest that more and more mother-only families should be receiving support from absent fathers. But Figure 2A shows no clear trend in the support received from them. The percentage with any awards at all dips modestly, and the percentage with payments rises modestly.

What explains this puzzling picture? Has the national effort to increase child support payments been ineffective?

Figure 2B offers a partial explanation. The proportion of absent-father households headed by never-married women has increased, and these are the women who typically have the lowest rates of child support. When we examine formerly married and never-married absent-fa-

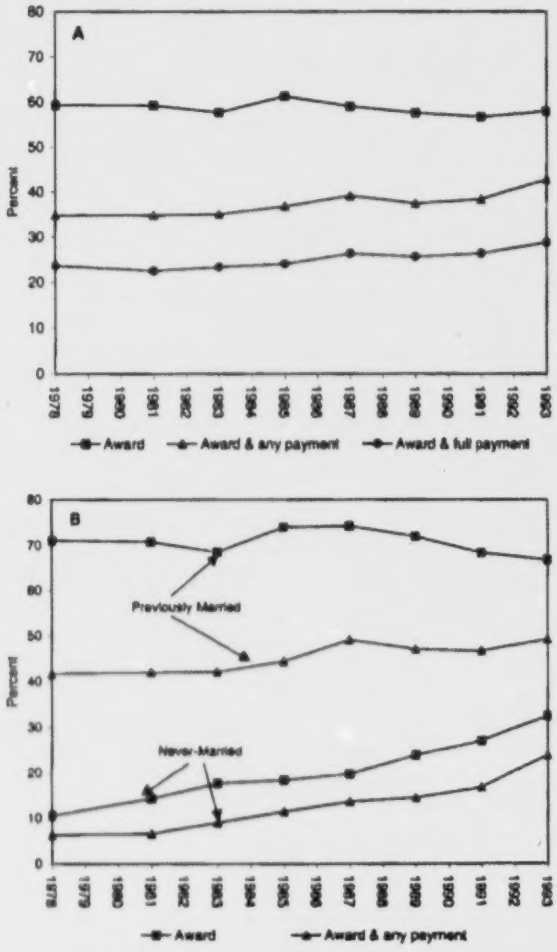


**Figure 2. Child support award and payment rates for absent-father families, 1978–93. A. All families. B. By mother's marital status.**

Source: Data from the CPS Child Support Modules, 1978–91, and the SIPP Child Support Module, 1993.

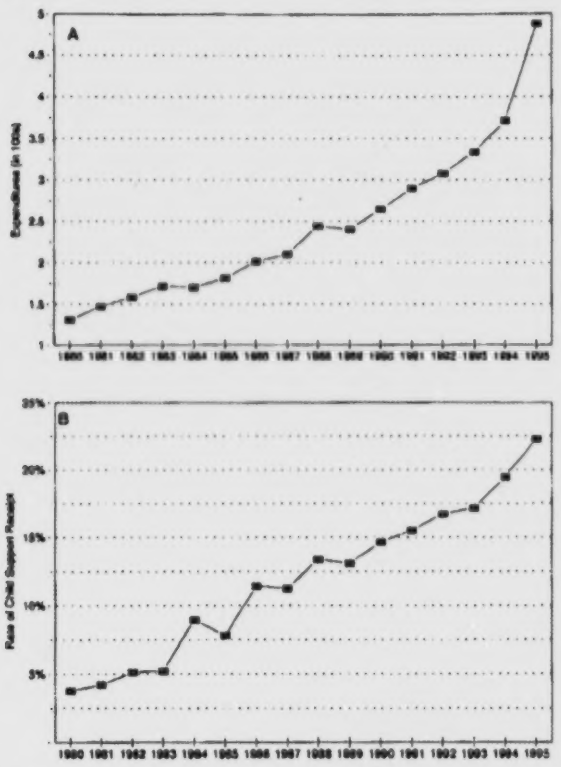


**Figure 3. Trends in child support expenditures and receipt, 1980–95.** A. Mean state expenditures per absent-father family (source: OCSE Annual Reports, amounts in 100s of constant 1996 dollars). B. Mean rate of child support receipt by never-married women (source: March CPS, 1981–86).

ther families separately, we find sizable improvements in the rate of support for never-married mothers. From 1978 to 1993, the share with awards more than tripled, as did the share with any payment. Other groups saw much more modest increases.

It makes sense that the largest gains in child support were among never-married women, since federal child support efforts have largely concentrated on the AFDC population. Before there was any substantial government involvement, many divorced women used the private and court-based enforcement system. For this group, the push for enforcement may simply have shifted collection activities from the private and judicial arenas into the offices of public child support enforcement agencies.

## Why has child support for never-married women increased?

The most obvious answer to this question is that the increase in support is due to the extensive governmental efforts that we have described. But there are other possible answers—for instance, that the characteristics of never-married women and the fathers of their children have improved in ways that make them more likely to receive, and to pay, child support.

Indeed, during the 1980s the characteristics of never-married mothers improved slightly (for instance, they are somewhat better educated). We found, however, that improvements in qualities we can observe account for at most 2 percent of the rise in child support receipts. We have not examined the ability of women's partners to pay, but it may have deteriorated, given the declining real earnings and increased incarceration rate of young, low-skilled men over these years.[4]

If government activity provides at least part of the answer, which aspect is most important—the increased expenditures on enforcement, or the enactment of child support legislation? Previous research has given ambiguous answers: increased expenditures have had a positive effect on some aspects of support but not on others, and some state legislative policies have had positive effects whereas others have had neutral or negative effects. Because changing policies without changing budgets may have little effect on outcomes—child support agencies may simply shift resources among activities—we examine the interaction of expenditures and policies.

### Estimating the effect of expenditures

Beginning in the mid-1980s, expenditures and receipt of support both rose sharply. From 1980 to 1995, average state child support expenditures rose from $131 to $418 per absent-father family (in constant 1996 dollars). Over the same period, the percentage of never-married women receiving support awards rose from 4 to 22 percent across all states (Figure 3).[5]

These trends are sufficiently well aligned to suggest some linkage. For a more precise and valid test of the link, we examine the interrelation between cross-state and time-series variation in expenditures and in the receipt of child support, controlling for various characteristics of the woman, such as her age, education, race, and number of children, and for state and year effects.

Using this approach, we estimate that a $100 increase in expenditures on child support enforcement per absent-father family would raise the proportion of never-married families receiving support by about 1 percentage point. If we break out the expenditures per absent-father family into two parts, the number of cases per family (which measures the reach of the system) and the mean expenditure per case (which measures the intensity of the effort and perhaps also the difficulty of the case), we find that both appear to raise receipt of support among never-married women. The effect is larger for the proportion of cases opened, suggesting that reaching out to more cases appears to be particularly effective.[6] Overall, a conservative estimate would suggest that increased expenditures

accounted for about 20 percent of the increase in child support receipt from 1980 to 1995.

### Estimating the effect of legislation

Faced with a high and rising amount of state legislative activity over the last two decades, we chose not to investigate the effects of individual laws but instead to create an "index" of state activity by selecting 13 different types of child support legislation and examining how many states had enacted each one from 1974 to 1988.[7] The key assumption of this procedure, which is supported by our data, is that states that have passed the most laws have also the most advanced laws, including the least common ones, whereas states that have passed the fewest laws have only the most common of these 13.

In 1974, the average state had passed none or only one of these 13 types of laws, and the mean value of our child support legislation (CSL) index was -3.29; by 1988, the average state had passed eight or nine laws and the CSL index was 0.81. But if all a state does is enact a law requiring the child support agency to undertake new activities, these activities will not necessarily increase the proportion of never-married mothers that receive support. Indeed, the new law might have the opposite effect. For example, the 1984 Child Support Amendments required states to provide child support services to non-AFDC cases, many of whom were already receiving support through private resources or the courts. By shifting agency resources from AFDC to non-AFDC cases, this legislation potentially reduced the effect of agency expenditures on receipts. Thus we probe the *interactions* between laws and expenditures.

We do so by dividing states and periods into three categories—high, medium, and low—depending on where they fit in the distribution of states/years according to the CSL index and child support expenditures. We control for the characteristics of never-married women in our equations, and allow for a two-year time lag between the passage of laws and their actual implementation. We find that states/years with the weakest laws, as reflected in low CSL indices, have the lowest rates of child support receipt, whereas states/years with high CSL indices and high expenditures tend to have the highest rates of child support receipt.

In other words, the coupling of high expenditures and legal effort produces the biggest impact. Tougher laws work only when accompanied by more spending. ■

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[1]This article is based upon R. Freeman and J. Waldfogel, "Dunning Delinquent Dads: The Effects of Child Support Enforcement Policy on Child Support Receipt by Never-Married Women," Working Paper 6664, National Bureau of Economic Research, Cambridge, MA, July 1998.

[2]U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Statistics, *Survey of State Prison Inmates, 1991* (Washington, DC: U.S. Department of Justice).

[3]Data are from the Annual Reports of the Office of Child Support Enforcement (OCSE) in the U.S. Department of Health and Human Services. The change in the relative amounts spent on AFDC and non-AFDC cases possibly reflects the requirements of the 1984 Child Support Amendments (see p. 3).

[4]R. Freeman, "Why Do So Many Young Men Commit Crimes and What Might We Do about It?" *Journal of Economic Perspectives* 10, no. 1 (1996): 25–42.

[5]Expenditure data are from the OCSE Annual Reports; data regarding receipt of child support from U.S. Census, March CPS data.

[6]Details of these analyses are given in the article cited in note 1. Note that the estimated impacts of expenditures on child support received by never-married women may understate substantially the effect of increased expenditures focused solely upon them. Our measure of expenditures of necessity includes dollars spent on all families with absent parents, and a rising proportion of them are non-AFDC cases (in 1992, 43 percent were not AFDC cases, compared to 22 percent in 1984).

[7]Four (all federally mandated) had become law in all states: wage withholding in cases of delinquency, liens for nonpayment, services for non-AFDC cases, and paternity establishment to age 18. For the complete list, see Appendix 1 of the article cited in note 1.

# The changing role of child support among never-married mothers

Judith Bartfeld and Daniel R. Meyer

Judith Bartfeld is Assistant Professor of Consumer Science and Daniel R. Meyer is Associate Professor of Social Work at the University of Wisconsin–Madison.

How realistic is the current emphasis on child support as a source of income for single-parent families?[1] Despite two decades of substantial change in child support policy, aggregate outcomes hardly changed at all between 1978 and 1995. Throughout this time, between 50 and 60 percent of resident mothers were owed support; about three-quarters of those mothers received some payment, and divorced and separated mothers continued to fare substantially better than never-married mothers.[2] The lack of overall progress, however, masks improvements among some groups, including never-married mothers. The percentage of such mothers who actually received support, for example, increased from about 5 percent in the late 1970s to more than 15 percent in the late 1990s.[3]

That is encouraging, yet we know little about what underlies this trend. Is the increase in child support shared by all never-married mothers, or only by the newest cohorts? Furthermore, what happens to support as children grow older? Do the ties of nonresident fathers weaken with time, and what are the economic consequences for their children? The incomes of even poor nonresident fathers typically increase over time, but so, perhaps, may their responsibilities to new families.

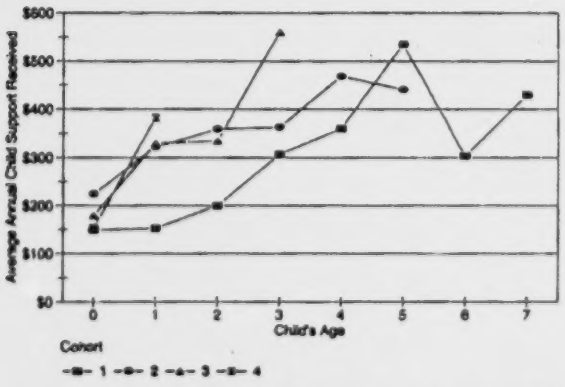


**Figure 1. Average yearly amounts of child support received by never-married mothers.** Cohorts 1–4 represent never-married mothers who first became mothers in 1988–89, 1990–91, 1992–93, and 1994–95, respectively (constant 1997 dollars).

Source: March Current Population Survey, 1990–98.

In this article we document the role of child support as an income source for never-married mothers from 1989 to 1997, a period of profound change in the relative availability of public and private forms of income support. To do so, we track the experience of four successive groups of mothers as their children age, using multiple panels of the Current Population Survey (CPS). By using what are, in effect, "synthetic cohorts" of mothers, we can mimic key features of longitudinal data, disentangling changes in child support across cohorts from changes over time within a child's life. Because the data do not permit us to identify currently married or divorced mothers who were unmarried at the time of a child's birth, we limit our attention to never-married mothers.[4]

We examine child support income for these families in the broader context of concurrent changes in other sources of income. Declines in welfare participation, the shrinking value of cash assistance, and well-documented increases in work and earnings must all be factored into the changing income equation for poor single mothers.[5]

## Do child support receipts by never-married mothers grow over time?

From Figure 1, it is clear that they do. Although mean child support receipts by never-married mothers are quite low at all ages for all cohorts, they generally increase within each cohort as the child grows older. In the first cohort, for example, the annual amount of child support rises from $149 the year the child is born to $430 when the child is 7 years old. And for children of a given age, receipts increase over time. For a 1-year-old child in the first cohort, the annual average support received is $152; for a 1-year-old in the fourth cohort, it is $382.

Average child support receipts mask substantial variation among individuals. Only a minority of these mothers get any support at all from the fathers of their children. But for those who do, the amounts are not trivial. If we include only women who receive some support in our estimate, then mothers receive $1,242 to $2,808 per year in support, with no particular pattern across cohorts or ages.

The percentage of mothers receiving support rises from cohort to cohort, and within cohorts, it rises as the children grow older (Figure 2A). In all cohorts, only about 10 per-

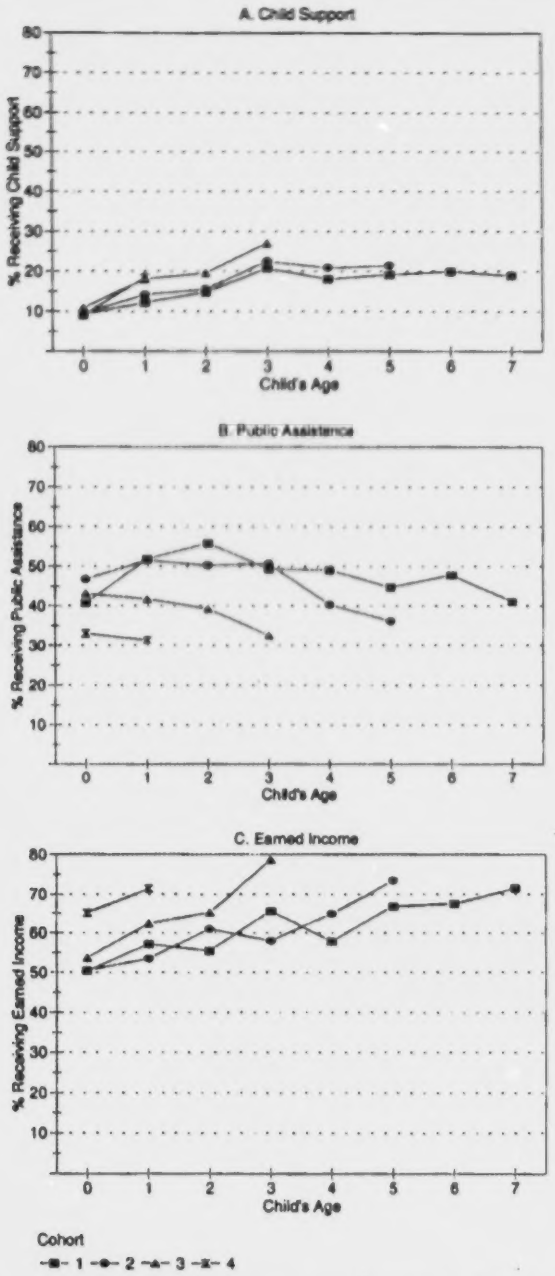


**Figure 2. Never-married mothers receiving (A) child support, (B) public assistance and (C) earned income, by child's age.** Cohorts 1–4 represent never-married mothers who first became mothers in 1988–89, 1990–91, 1992–93, and 1994–95, respectively.

Source: March Current Population Survey, 1990–98.

cent of the mothers are receiving any support when the child is less than a year old. But by the time the child is 3 years old, 21 percent of mothers in the first cohort are receiving support, and the percentage is larger in the later cohorts.

Multivariate analyses (not shown here) confirm these results—both the greater tendency to receive support on behalf of somewhat older children, and an increasing likelihood of receiving support over the decade. They also reaffirm the importance of a variety of demographic variables associated with the receipt of child support in previous research. In particular, mothers aged 20–24 at the birth of their child are more likely to receive support than mothers who gave birth as teens; African Americans, Hispanics, and other minorities are less likely than whites to receive support; better-educated mothers are more likely to receive support than more poorly educated mothers; and rural mothers are more likely to receive support than urban mothers.

## The importance of other income sources

Two other major sources of income for never-married mothers are public assistance and earnings.

### Public assistance

Not surprisingly, never-married mothers are far more likely to receive public assistance than child support, across all ages and cohorts (Figure 2B). Over the decade, however, the likelihood steadily diminishes. In the first cohort, 52 percent of mothers of 1-year-olds were receiving such assistance, but in the fourth cohort, only 31 percent were. For the earliest cohort, public assistance receipt reaches a peak when the child is 2 and subsequently declines. In the last two cohorts, assistance steadily declines after the first year of the child's life.

Trends in the receipt of child support and public assistance move in opposite directions, both as children age and across cohorts. Despite the predominance of public assistance over child support, the share of mothers receiving at least some support relative to those receiving at least some welfare grows. Mothers of 1-year-olds in the first cohort are four times more likely to be receiving welfare than child support; mothers in the fourth cohort are only 1.6 times more likely to do so.

### Earnings

More never-married mothers have earnings than receive either child support or welfare (see Figure 2C). One-half to three-quarters of mothers report such income, and the prevalence of earnings increases both as children age and from cohort to cohort. These increases are substantial, especially considering the relatively short time frame: Among mothers of 1-year-olds, the share with earnings increases from 57 percent to 71 percent across cohorts.

## The relative importance of child support and other income sources

What do these income trends mean for the changing importance of child support relative to other income

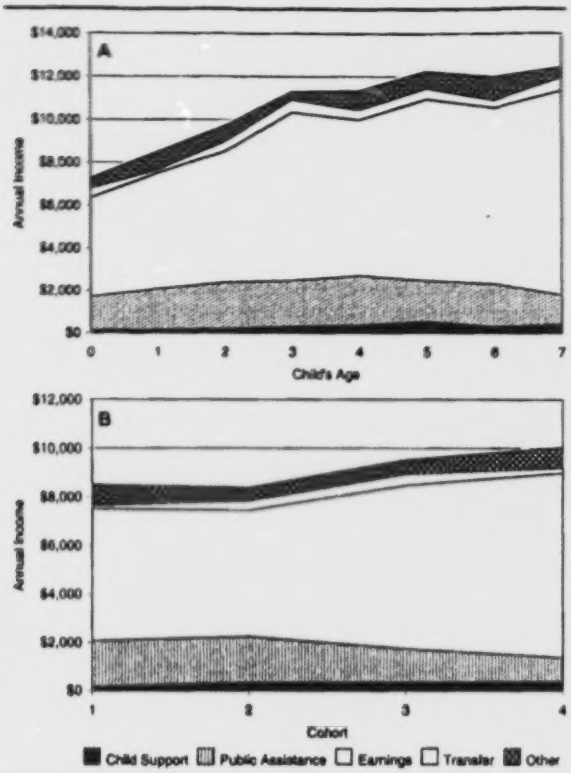


**Figure 3. Sources of income of never-married mothers (A) in Cohort 1, by child's age, and (B) by cohort.** Cohorts 1–4 represent never-married mothers who first became mothers in 1988–89, 1990–91, 1992–93, and 1994–95, respectively.

**Source:** March Current Population Survey, 1990–98.

sources? In Figure 3, we show changes in total income, (A) for the first cohort, as children age, and (B) across cohorts for mothers of 1-year-olds. We consider five main sources of income: child support, public assistance, earnings, other transfers, and other income. It is immediately clear that income increases considerably, both as children grow older and across cohorts, and that earnings are the dominant element in this increase. The magnitude of child support grows as well, but it plays a negligible role in the total income package at any point. Public assistance declines in importance as an income component.

Despite the overall increases, both earnings and total income remain quite low. For mothers in cohort 1, earnings increase from $4,660 to $9,550 between the year their child is born and the year the child reaches age 7, yet even by the end of this period, total income is only $12,455 and more than 60 percent remain poor. Although average earnings for mothers of 1-year-olds increase across cohorts, total income is only $10,052 for the most recent cohort, and approximately two-thirds remain below the poverty line.

As we see above, child support appears to play a very small role when considered in conjunction with other income sources. Among actual recipients, however, income from child support constitutes between 13 and 28 percent of total income–clearly not a trivial amount. The limiting factor is that so few never-married mothers receive any support at all. The major legislative changes governing child support for unmarried mothers enacted in 1996 may result in further improvements in outcomes for this especially disadvantaged group of mothers, but the evidence is only beginning to appear. ■

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[1]This article summarizes J. Bartfeld and D. Meyer, "The Changing Role of Child Support among Never-Married Mothers," IRP Discussion Paper 1200-99, University of Wisconsin–Madison, October 1999. An earlier version of the paper was presented at the IRP Conference on Nonmarital Fertility, April 1999.

[2]See the article in this *Focus* by R. Freeman and J. Waldfogel.

[3]L. Scoon-Rogers, *Child Support for Custodial Mothers and Fathers: 1995*. U.S. Bureau of the Census Current Population Reports, Series P60-196, Washington, DC; E. Sorensen and A. Halpern, "Child Support Enforcement Is Working Better Than We Think," New Federalism: Issues and Options for States no. A-31, Urban Institute, Washington, DC, April 1999.

[4]The marriage rate following a nonmarital birth is relatively low; among never-married women who became mothers between 1985 and 1989, only about 36 percent of whites and 13 percent of blacks married within 5 years (see this issue, article by Bumpass and Lu). The data limitations are discussed in the full study.

[5]On work by single mothers, see B. Meyer and D. Rosenbaum, "Welfare, the Earned Income Tax Credit, and the Employment of Single Mothers," Working Paper, Joint Center for Poverty Research, Northwestern University/University of Chicago, 1998; on changes in welfare, U.S. House of Representatives, Committee on Ways and Means, *1998 Green Book* (Washington, DC: Government Printing Office, May 1998).

# To what extent do children benefit from child support? New information from the National Survey of America's Families, 1997

Elaine Sorensen and Chava Zibman

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The magnitude—and the consequences—of parental absence gained even greater public prominence when the welfare reforms of the mid-1990s placed work requirements and time limits on women seeking cash assistance. Could increased private support from absent parents compensate for the loss of an assured source of public income?[1] The National Survey of America's Families (NSAF), designed to capture an accurate image of American families in the context of these reforms, is now beginning to provide valuable current information on this question. Drawing upon data from the first survey, conducted in 1997, we focus upon the children in such families. We ask:

1. How do children who have a parent living elsewhere differ from other children?

2. How likely are children to receive financial and emotional support from an absent parent?

3. To what extent do children's families depend upon child support income?

4. Are poor children who receive child support different from those who do not?

5. Does child support reduce child poverty and income inequality?

## 1. How do children who have a parent living elsewhere differ from other children?

In 1996, children who have a natural parent living elsewhere—one in three children in the United States—remained unambiguously worse off than other children (Table 1). These children are three times as likely to be poor and four times as likely to receive public assistance as other children. This is unsurprising because the greatest number of these children live with only one adult—their parent—while nearly all other children live with their two natural parents.

## 2. How likely are children to receive financial and emotional support from an absent parent?

The answer is, not very likely. As Table 2 shows, barely half receive some financial support. Emotional support is even less available; about one-third of children saw their nonresident parent at least once a week and over a quarter had no contact at all. Nonresident mothers were generally less likely than fathers to be financially supporting their children but much more likely to see them. Children with support orders were about twice as likely as those without orders to receive some financial assistance.[2]

Although the federal government has pushed hard to increase interstate consistency in child support policy,

**Table 1**
**Characteristics of Children with and without a Parent Living Elsewhere, 1996**
**(in percentages)**

| Characteristics | Children with a Parent Living Elsewhere | Children without a Parent Living Elsewhere |
|---|---|---|
| No. of Children | 23 million | 48 million |
| Which Parent Lives Elsewhere? | | |
| Father | 82.7 | — |
| Mother | 11.8 | — |
| Both | 5.5 | — |
| Family Income | | |
| Below poverty line | 37.4 | 12.4 |
| Between 100% and 200% of poverty | 25.1 | 20.7 |
| Between 200% and 300% of poverty | 16.3 | 20.9 |
| Above 300% of poverty | 21.3 | 46.0 |
| Children Who | | |
| Received AFDC in 1996 | 23.3 | 3.3 |
| Received food stamps in 1996 | 35.0 | 8.9 |
| Received either in 1996 | 36.7 | 9.2 |
| Living Arrangements of Children | | |
| Two biological or adoptive parents | 0 | 93.2 |
| One parent, one stepparent | 20.5 | 1.4[a] |
| Single parent | 72.4 | 4.9[a] |
| Other | 7.1 | 0.5[b] |

Source: National Survey of America's Families, 1997.

[a]We assume that one parent is dead.

[b]We assume that both parents are dead.

**Table 2**
**Child-Support-Related Characteristics of Children with a Parent Living Elsewhere**
(in percentages)

| Characteristics | All Children | With Nonresident Fathers | With Nonresident Mothers |
|---|---|---|---|
| Received Any Financial Assistance from their Nonresident Parent in the Past 12 Months | 51.9 | 52.8 | 38.6 |
| With a Child Support Order | 50.1 | 51.9 | 28.1 |
| Received the full amount of that order | 21.5 | 23.1 | 6.1 |
| Received financial support | 66.8 | 68.1 | 44.9 |
| Without a Child Support Order, but Received Some Financial Support | 37.0 | 36.3 | 32.8 |
| Has Seen Nonresident Parent in the Past 12 Months | 71.9 | 67.7 | 84.8 |
| At least once a week | 34.0 | 30.2 | 47.0 |
| Less than once a week | 37.9 | 37.5 | 37.8 |

**Source**: National Survey of America's Families, 1997.

the likelihood that a child has a child support order and receives the full amount awarded still varies greatly by state. In 1997, in the 13 focal states included in the NSAF, the likelihood ranged from a high of 30 percent in Wisconsin to a low of 14 percent in California (the national average was 22 percent). This interstate variation is often attributed to the greater efficiency of some state enforcement programs, notably those in Wisconsin and Minnesota, the states with the highest proportions of children receiving support. There are, however, other interstate differences, for example, in immigration, nonmarital childbearing, and poverty, that clearly have some bearing on the relative effectiveness of state programs. And even in those states rated most effective, less than a third of children eligible for child support have a child support order and receive the full amount due.

## 3. To what extent do children's families depend upon child support income?

Averaged across all children, child support appears relatively unimportant—a mere 2 percent of family income. But child support is a substantial source of income for those who receive it. Even so, it is a supplement to earnings, not a replacement. (See Figure 1, and also

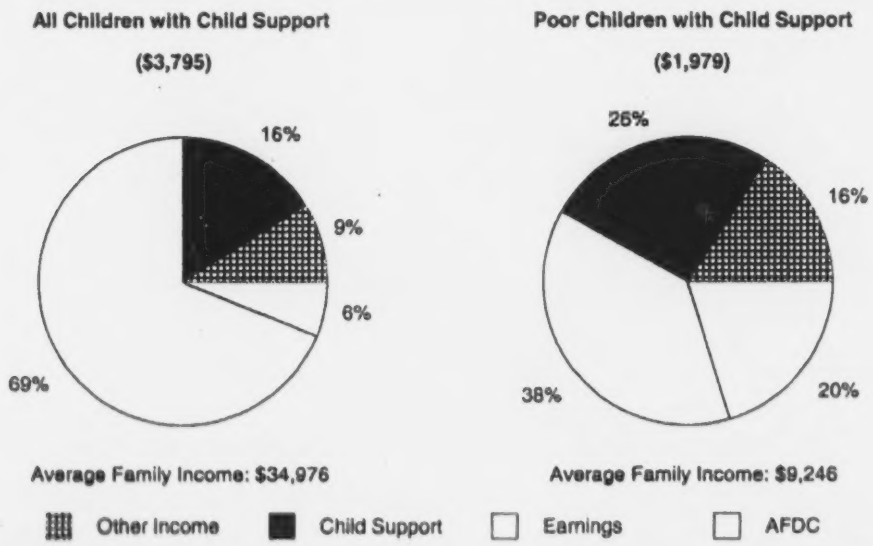


**Figure 1. Family incomes of children with a nonresident parent, 1996.** "Other income" includes SSI, social security, unemployment compensation, interest, dividends, rental income, etc.

**Source**: National Survey of America's Families, 1997.

Table 3
Child Support Receipt among Poor Children with a Parent Living Elsewhere, by Family's Welfare Status, 1996

| Welfare Status | Children Whose Families Received Child Support (%) | Child Support Received by Family | |
|---|---|---|---|
| | | Amount | As % Family Income |
| On welfare in 1996 or currently | 22.4 | $816 | 12.3 |
| Not on welfare in 1996 or currently | 36.2 | $2,751 | 34.8 |
| Formerly on welfare | 41.7 | $2,562 | 29.6 |
| Never on welfare | 32.8 | $2,894 | 38.7 |
| All | 29.2 | $1,979 | 26.2 |

Source: National Survey of America's Families, 1997.

Figure 2 in the article in this *Focus* by Bartfeld and Meyer.)

For poor children, child support is very important, representing, on average, over one-quarter of their family's income (Figure 1). But poor families seeking cash assistance (i.e., Temporary Assistance for Needy Families or its predecessor Aid to Families with Dependent Children) are required to cooperate with the child support enforcement system as a condition of receiving aid, and to assign collection rights to the state. As a result, families on welfare receive little, if any, child support paid on their behalf. Instead, this support goes to the government to reimburse it for providing welfare to the family.[3] Not surprisingly, only 22 percent of poor children on welfare had income from child support in 1996 (Table 3), and they received, on average, only $813 in child support for the entire year. In contrast, 36 percent of poor children not on welfare received child support in 1996 and it represented, on average, one-third of their family's income.

Interestingly, poor families that were formerly on welfare are more likely to receive child support than those that have never been on welfare. A possible reason is the requirement that families seeking welfare cooperate with child support enforcement agencies, while families that are not on welfare only receive services from these agencies if they request them.

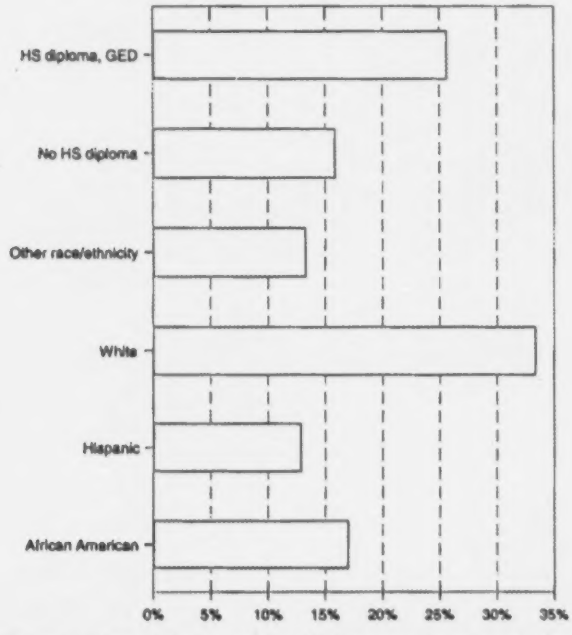


**Figure 2. Poor children receiving child support, by race and education of the resident parent.**

Source: National Survey of America's Families, 1997.

## 4. Are poor children who receive child support demographically different from those who do not?

The answer to this question may help analysts estimate the likely effect of increased enforcement. Figure 2 shows that those families least likely to have child support orders come from groups for whom earnings are lowest—African Americans, Hispanics, and the less educated. For this reason, it may well be harder in the future to establish support orders and obtain financial support for children who do not now have them.[4]

## 5. Does child support reduce child poverty and income inequality?

Some researchers have argued that child support reduces child poverty and income inequality, because it redistributes income to custodial families from noncustodial families, who are generally better off and have fewer children. Others claim that child support contributes to income inequality among single-mother families because higher-income single mothers, on the whole, receive more child support than do lower-income mothers.[5]

The NSAF data allow us to examine the impact of child support on poverty and income inequality among all children who have a parent living elsewhere. To do so, however, we must make some assumptions; we cannot

merely deduct child support income from total family income, for many families receiving child support might become eligible for cash assistance if their child support payments were to disappear.

We therefore estimate how many families would become eligible for cash assistance if child support disappeared, and assume that the state program would bring their income up to the payment standard. We expect this method overstates family income, for some families might not apply for aid nor others receive as much aid as we attribute to them. With these caveats, we estimate that, in the absence of child support, 39 percent of all children would be poor, compared to 37 percent that are poor when child support is included (from Table 1). Thus child support, we suggest, reduces child poverty by 2 percentage points—about half a million children.

Another common measure of the extent of poverty is the "poverty gap," which is an estimate of the amount of money that would be necessary to bring all those who are poor out of poverty. For children with nonresident parents, the poverty gap is roughly $30.5 billion. If child support is excluded, this number increases to $33 billion. Thus we estimate that child support reduces the poverty gap by 8 percent.

We measured the level of income inequality among children with a parent living elsewhere by comparing family incomes in different income quintiles. Child support payments reduce income inequality, but the effect is not particularly large. In the NSAF data, the family incomes of the best-off children with a parent living elsewhere are 4.8 times the family incomes of those in the poorest quintile. In the absence of child support, the disparity would be greater—the best-off children would have family incomes 5.2 times those of the poorest.

The NSAF data show, beyond ambiguity, that child support benefits children. In 1996, families getting child support received, on average, $3,795, representing nearly one-sixth of their family income. Child support also reduces child poverty and income inequality among children eligible for it. But there are two important caveats to this generally positive story. First, most children who are eligible for child support do not receive it. In 1997, only 22 percent of children eligible for child support had a child support order and received the full amount awarded. Second, the prospect for major improvements in the rates of receipt among poor children may not be altogether bright; it appears that any easy gains may have been made. ■

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[1]The NSAF includes nearly 45,000 nationally representative households. All 50 states and the District of Columbia are represented, but 13 focal states were chosen to provide case studies of the effects of state policies. The states are Alabama, California, Colorado, Florida, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, Texas, Washington, and Wisconsin. Households were asked questions about housing, family structure, employment, income security, health, education, and child well-being, with particular attention being given to low-income families with children. This article summarizes the authors' report, "To What Extent Do Children Benefit from Child Support?" Report 99-19, The Urban Institute, Washington, DC, January 2000.

[2]The NSAF figures regarding financial support without an order are larger than those typically found by other researchers; this may have to do with the framing and order of the questions asked in interviews, a subject we discuss more fully in the Urban Institute policy report (see note 1). [Ed. note: See also the article in this *Focus* by Judith A. Seltzer, using 1988–94 data from the National Survey of Families and Households.]

[3]In Wisconsin, all of the child support received is passed through to the family. [Ed. note: See the article in this *Focus* on the Wisconsin Works Child Support Demonstration Evaluation, p. 42.]

[4]Nonresident parents tend to be of the same race or ethnicity and to have the same educational levels as custodial parents.

[5]See D. Meyer and Mei-chen Hu, "A Note on the Antipoverty Effectiveness of Child Support among Mother-Only Families," *Journal of Human Resources* 34, no.1 (1998): 225–34; A. Nichols-Casebolt, "The Economic Impact of Child Support Reform on the Poverty Status of Custodial and Noncustodial Families," in *Child Support Assurance: Design Issues, Expected Impacts, and Political Barriers as Seen from Wisconsin*, ed. I. Garfinkel, S. McLanahan, and P. Robins (Washington, DC: Urban Institute Press,1992); K. Witkowski with R. Murthy, "How Much Can Child Support Provide? Welfare, Family Income, and Child Support," Washington, DC: Institute for Women's Policy Research, 1999.

# Child support reforms: Who has benefitted?

Elaine Sorensen and Ariel Halpern

Elaine Sorensen is a Principal Research Associate and Ariel Halpern is a Research Associate at the Urban Institute.

Since 1975, Congress has created an open-ended entitlement to child support enforcement services and, together with the states, has spent over $30 billion to implement this program. Yet despite this large infusion of government spending, the proportion of single mothers receiving child support has remained stagnant, at about 30 percent.[1]

This unimpressive result actually hides dramatic improvements among certain subgroups of single mothers, as other articles in this *Focus* have demonstrated.[2] The progress has been masked by a large increase in the proportion of single mothers who have never married; this group has much lower rates of child support than do divorced and separated mothers. Between 1976 and 1997, the numbers of never-married mothers increased fivefold, from 770,000 to 4 million, whereas the number of divorced and separated mothers rose at a much slower rate, from 3.6 to 4.5 million. (See Figure 1.)

Once these shifts in the marital status of single mothers are taken into account, child support enforcement reforms appear to have improved the economic well-being of mothers in all demographic groups. In this article, we move beyond aggregate statistics to explore the effects of specific enforcement tools. We find that some tools have benefitted certain groups more than others, and that whether or not a woman participates in the welfare system has been integral to the effects of these policies.[3]

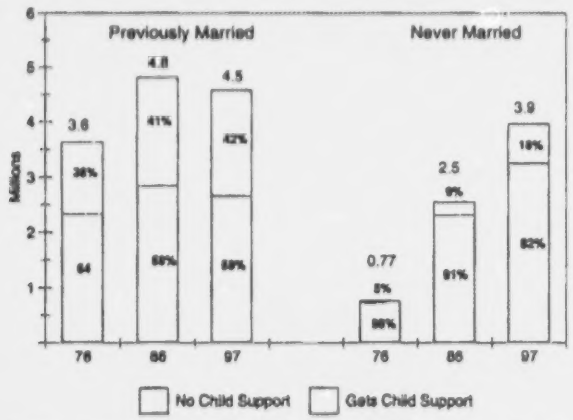


**Figure 1. Number of single mothers, by marital status and child support receipt.**

**Source:** March Current Population Surveys, 1977, 1987, 1998.

## Innovations in enforcement

The switch in child support from a complaint-driven, court-enforced system, based in state family law, to a more aggressive administrative or quasijudicial system has been gradual, and it is not yet complete. Services mandated for welfare families under Title IV-D of the Social Security Act Amendments of 1975 were only slowly extended to families not receiving Aid to Families with Dependent Children (AFDC). The pace quickened as federal matching funds for such cases were made permanently available in 1980, and incentive payments to states were added in 1984.[4]

Here, we consider six major innovations in child support enforcement and discuss the effects of each.

The first challenge facing the new federal-state partnership was to develop an efficient system for collecting past due child support from noncustodial parents who were in arrears. Two enforcement tools proved particularly popular: income tax intercepts and wage withholding. Intercept programs, which withhold income tax refunds from noncustodial parents who are behind in their support payments, were tried by many states and codified into federal law as part of the 1984 Child Support Enforcement Amendments. Wage withholding for parents in arrears on support orders was codified in the same amendments; by the late 1980s, many states began to implement the mandate even before the parent became delinquent. Under the 1988 Family Support Act, immediate wage withholding became federal law for all new child support orders in 1994.

At the same time as they strengthened enforcement, states began to address the lack of horizontal equity in the child support awards set through the courts. Child support guidelines were first mandated upon states in 1984, and the 1988 act required that they be made "presumptive," i.e., binding on judges in the absence of a written finding. (For a discussion of issues relating to guidelines, see the article by Rothe and Meyer in this *Focus*.)

In 1993, Congress turned its attention to voluntary paternity establishment. Before then, the federal government had tried to make it more difficult for the fathers of children born outside marriage to avoid being legally identified, but it had not encouraged voluntary acknowl-



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**Table 1**
**The Effect of Specific Child Enforcement Policies on Rates of Child Support Receipt, 1976–1997**
(in percentage points)

| Policy | Never-Married Mothers | | | Previously Married Mothers | | |
|---|---|---|---|---|---|---|
| | On AFDC | Off AFDC | All | On AFDC | Off AFDC | All |
| Wage Withholding | | | | 1.2 | 0.1 | 0.3 |
| Tax Intercept Program | 4.3 | 0.5 | 1.6 | 0.8 | 0.1 | 0.4 |
| Guidelines | -0.9 | 2.5 | 1.9 | 0.9 | 1.2 | 0.7 |
| In-Hospital Paternity Establishment | 0.0 | 2.8 | 2.2 | | | |
| New Hire Directories[a] | | | | | | |
| $50 Pass-Through | 4.5 | -0.9 | 0.4 | 2.1 | 0.9 | 1.1 |

**Source:** Annual data from the March Current Population Survey.

**Notes:** Numbers represent the percentage-point change estimated to be due to each policy over the years since it was put into effect, and are reported only when a statistically significant result at the 10 percent level was obtained from the likelihood ratio test for the model with and without the specific policy variable.

[a]Because only 11 states had adopted a new hire directory by 1997, it is improbable that any significant effect would show in our data.

edgment of paternity. As with wage withholding, successful state programs paved the way for federal action. Under the Omnibus Budget Reconciliation Act of 1993, all states were required to adopt civil procedures to allow unmarried fathers easily to acknowledge legal paternity for their children.

Finally, two provisions in the child support section of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 are also likely to have material influence upon enforcement.

First, the act required that employers report all newly hired workers within 20 days to the state child enforcement program, which will then pass that information through to a federal Registry of New Hires. This is expected to reduce the delay in establishing immediate wage withholding for noncustodial parents and to make it more difficult for them to avoid payment by changing jobs or leaving the state.

Second, the act eliminated the federal requirement that states pass through to welfare families the first $50 of child support paid on their behalf by nonresident parents. This requirement, in effect since 1984, was meant to give the family on assistance an incentive to cooperate with the child support enforcement system. Since 1996, 28 states have eliminated the pass-through and are retaining all child support money paid by nonresident parents on behalf of families receiving public assistance.

## The elements of the analysis

Because one of our main goals is to measure the impact of enforcement, we included in our analysis, for each state, both the years in which the six child support enforcement laws described above became effective and yearly per capita child support expenditures. In total, state and federal expenditures on enforcement rose eightfold from 1976–97; the increase per capita was less, but still quadrupled, from $71 to $458.

We defined a single mother as any adult woman who is divorced, separated, or never-married and who lives with her own children, at least one of whom is under 18. We included some fundamental characteristics of the mother: her age, race or ethnicity, education, and the number and ages of her children.[5] Virtually all of these measures changed between 1976 and 1997, as we later discuss.

Because we were concerned about interactions among work, AFDC recipiency, and child support, we used proxy measures for AFDC and work decisions rather than the women's actual observed characteristics. We included the maximum AFDC benefit level for a family of three in each state and year. The real value of the maximum AFDC benefit declined sharply nationwide after 1976, from around $700 to around $400. Our measure of work was the proportion of single mothers working in each state and year. Single mothers' employment, already high in 1976, increased over these decades, from about 70 percent to 80 percent.

We do not have earnings information for noncustodial fathers associated with the custodial mothers in our sample, so for each state and year we used the average earnings of single men between 15 and 39 years old to reflect noncustodial parents' ability to pay support. Never-married men's annual earnings rose slightly, from about $9,400 to $12,000, over these years. The earnings of divorced and separated men were stable at around $27,000 until 1997, when they rose to nearly $34,000.

Because a woman's decision to seek child support depends in part on her decision about AFDC income and vice versa, we made separate analyses for women receiving and not receiving welfare.

## Who has benefitted from the reforms?

From 1976 to 1997, three subgroups of mothers saw a dramatic improvement in their rate of child support receipt. Both groups of never-married mothers benefitted. Those receiving AFDC saw nearly a fivefold increase; for those not on AFDC, the rate of receipt doubled. For divorced and separated mothers who were on AFDC, the rate of receipt also doubled, but those not receiving AFDC saw a slight decline. Nevertheless, this last group of mothers was still much more likely to receive child support than any other group: their rate of receipt was 45.5 percent, twice that of never-married mothers.

Table 1 presents our estimates of the effects of child support enforcement policies on the likelihood that particular groups of women will receive child support. Although it is hard to isolate the impact of one specific policy from a group of policies that work together and have overlapping effects, we believe the effort is worth making. We therefore conducted a series of log-likelihood tests, deleting each policy variable in turn to estimate its impact on the likelihood that particular groups of women would receive child support.

In general, we found that most of the specific enforcement policies we discuss here had significant effects. These effects were not uniform for all groups, nor did they all occur at the same time.

### Previously married mothers

Taken together, we estimate, the child support enforcement policies that we have just described increased the likelihood that previously married mothers would receive child support by about 3 percentage points. That is, these policies were responsible for about 30 percent of the improvement in rates of child support receipt by these mothers. The enforcement program began to affect rates for previously married mothers in about 1985, coinciding with the first major federal efforts to reform enforcement. The influence of these policies appears to have declined somewhat since 1995.

For previously married mothers who were not on AFDC, the expansion of the enforcement system appears to have only modestly increased the rate of child support receipt. For those on AFDC, the effect was very much greater. However, it peaked at about 20 percentage points in 1995, and has since declined considerably. Because there is no similar decline for women not on AFDC, we suspect that part of the explanation may lie in changing welfare policies, in particular the elimination of the federally mandated $50 pass-through.

### Never-married mothers

The effect of child support enforcement policies is greater for this group, about 12 percentage points, explaining nearly 60 percent of the rise in the rate of receipt. These effects are not apparent until about 1987, three years later than for previously married mothers. The greatest gains have occurred since 1994.

The greater effect of the child support enforcement program for never-married mothers was apparent both for those on welfare and for those who were not, but with some important differences. For mothers not on AFDC, the improvement coincided with the federal mandate to expand in-hospital paternity establishment programs. For mothers on AFDC, the influence of the policy changes on the likelihood of support peaked in 1987, at about 11 percentage points, and has since declined. Over half the decline occurred after 1995, again drawing attention to the repeal of the $50 pass-through.

### The effects of specific enforcement policies

*Immediate wage withholding* has typically been considered the most effective tool for increasing the likelihood of receiving child support, but its effect was statistically significant only for previously married mothers on AFDC. It did not improve rates for previously married women not on welfare or for never-married women. Perhaps the limited influence of this policy is related to the fact that it has only been federally mandated for non-AFDC cases since 1994, whereas it has been in effect for AFDC cases since 1990.

The *tax intercept program* and *presumptive guidelines* both had a large effect. The former has largely benefitted AFDC recipients, the never-married much more than the previously married. Presumptive guidelines have had their greatest effect for mothers not receiving AFDC.

Among other programs, the *$50 pass-through*, no longer required since 1996, significantly increased the likelihood that AFDC recipients would receive child support, the never-married more so than the previously married.[6] The *voluntary in-hospital paternity program* benefitted never-married mothers not receiving welfare. We surmise that never-married mothers on AFDC had little incentive to use the program because nearly all support collected on their behalf would go to the state.

## Child support receipt and the characteristics of single mothers

The demographic characteristics of single mothers changed considerably from 1976 to 1997:

1. In 1976, less than half of never-married mothers had completed high school; by 1997, 74.5 percent had. The high school completion rate for previously married mothers increased from 63.2 percent to 85.3 percent.
2. The proportion of never-married mothers who were African-American declined from two-thirds to about

one-half; among previously married mothers, the African-American proportion declined from 27.5 to 20.4 percent.

3. The proportion of Hispanic never-married mothers rose from 5.6 to 10 percent, and of previously married mothers from 8.4 to 12.7 percent.
4. The average age of never-married mothers rose from 26.3 to 28.9; that of previously married mothers from 34.5 to 37.5.

When we estimated the specific effects of these various characteristics, using the same method that we applied to enforcement policies, we found that the likelihood that single mothers will receive child support reflects fathers' ability and willingness to pay more than changes in mothers' characteristics.

To clarify this point: the education levels of single mothers have increased, and the number of children in the home has decreased. Both factors reflect an increase in the earnings potential of single mothers, and we would have expected them to have similar effects on the rate of child support receipt. But they do not. Higher mother's education is associated with *higher* rates of child support receipt, and smaller number of children is associated with *lower* rates. These opposed effects, we believe, are more consistent with the father's willingness and ability to pay than with the mother's characteristics. The partners of better-educated women are likely themselves to be better educated, and therefore more able to pay support. And the fewer the children, the less willing the father may be to pay.

The racial and ethnic distribution of mothers had statistically significant effects, though again in contrary directions. The proportion of never-married African-American mothers, who are less likely to receive child support than other groups, declined substantially. But offsetting this was the growth in the proportion of Hispanics, especially previously married mothers, who are less likely to receive child support than non-Hispanic mothers. The consequence was higher rates of child support receipt for never-married mothers, but lower rates for previously married mothers.

### The effects of the state of residence

Changes in the geographic distribution of single mothers are similar to those for the population as a whole. The proportions of previously married and never-married mothers living in the northeast and Midwest have declined, and the proportions living in the south and west have increased.[7] This has had a significantly negative effect on the rates of child support receipt, because single mothers are, on average, migrating away from states that have been relatively successful in collecting child support and into states that have worse records in this area.

State-level indicators of welfare generosity and of the labor market had, on the whole, minor or no effects, particularly when compared with the influence of enforcement policies. The decline in state AFDC benefit levels had no discernible influence. The rise in employment among single mothers was associated with a slightly reduced likelihood of child support. The slight increase in single men's earnings was associated with a 0.6 percentage-point increase in the likelihood that never-married mothers would receive child support.

## Conclusions

Three of the six child support enforcement tools examined here—the tax intercept, presumptive guidelines, and the $50 pass-through—had a positive effect on the rates of child support receipt that was statistically significant among all groups of single mothers. Two others, immediate wage withholding and voluntary in-hospital paternity establishment, also had a positive and statistically significant effect on particular groups. The sixth, the directory of new hires, began too recently for any effect on rates to be visible. The very different effects of particular policies for different demographic groups, however, suggest that efforts to improve the efficiency and effectiveness of the system must pay close attention to such interactions if more single mothers are going to be able to count on child support as a reliable source of income. ■

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[1]This article summarizes parts of an extended report by the authors, *Single Mothers and Their Child Support Receipt: How Well Is Child Support Enforcement Doing*, Report 99-11, Urban Institute, Washington, DC, December 1999. The report is posted in full on the Urban Institute World Wide Web site at < http://www.urban.org/ >. It is used here by permission. For details of the econometric methods and analyses, readers should consult the report.

[2]See, for example, the articles in this *Focus* by Freeman and Waldfogel and by Bartfeld and Meyer.

[3]Data are drawn from the March Current Population Survey, 1976–97. The advantages and disadvantages of the March CPS data are discussed in the report cited in note 1. We do not, for example, examine the amounts of child support received because the time trend for these data in the March CPS is particularly weak.

[4]Nevertheless, nonwelfare families are still underrepresented in the IV-D system. For a summary of federal laws relating to child support, see p. 3.

[5]We exclude widows. The March CPS does not allow us to identify custodial mothers who are currently married. Full details of the variables and the equations used in the analysis are included in the report on which this article is based (see note 1).

[6]This finding does not imply that the pass-through increased the likelihood that noncustodial fathers were more likely to *pay* support—the aim of the mandate—merely that mothers on welfare were more likely to receive it.

[7]A good example of the population shift is Texas. In 1976, 5.5 percent of previously married mothers and 2.1 percent of never-married mothers lived in Texas. By 1997, these figures had increased to 9.8 and 6.7 percent.

# Reshaping child support strategies for welfare families: The W-2 Child Support Demonstration

Underpinning the complex structure of federal and state child support enforcement programs in the United States is an essentially simple assumption: that the financial support of children is, first and foremost, the responsibility of their parents. When the parent with whom a child lives cannot alone provide for the child and the other parent does not contribute sufficient resources, then the state enters the picture, by providing cash welfare and other public benefits. But it does so in loco parentis; the nonresident parent continues to bear financial responsibility, and has an obligation to reimburse the state for some of the money expended on the child.

This simple assumption has proved very difficult to execute in practice. In order to collect the money due both to the child and the state, states have become major intervenors in the lives of welfare families. At the same time, confronted with apparently intractable difficulties, some states have begun to reexamine their strategies at the interface between public assistance and private child support.

At least three such strategies are possible.

First, the state may provide public support but seek to offset its costs by retaining private child support paid on behalf of the child on welfare. This was the national policy before 1984. There are at least two difficulties. Nonresident parents may be discouraged from paying child support, because no payments go directly to the children. And the parents have an incentive to cooperate with each other to hide support payments from the child support system so that resident-parent families can keep both public and private support.

Second, the state might pass *some* of the support received from nonresident parents through to the resident mother and children. This was federal policy from 1975 to 1996: up to $50 per month was passed through to the resident parent. The remainder was divided between state and federal governments. If some money goes to the children, nonresident parents may be more willing to pay, and resident parents more inclined to cooperate with agencies in locating absent parents and in securing payments.

Third, the state might turn over *all* child support that it collects to the resident parent and children, and then ignore this private support in the calculation of the amount of public support given to the resident parent and children. This policy should remove most of the disincentives for nonresident parents to pay through the formal system and encourage resident parents to cooperate with agencies. If formal payments are more stable or longer-lasting than informal payments, then this is not merely a formalization of support, but will also increase the total resources available to the child.

The third route offers other potential advantages and some disadvantages. Increased child support may diminish the need of resident parents for public assistance, food stamps, and Medicaid, in general increasing self-reliance and perhaps reducing state expenditures. It may promote more communication between nonresident parents and their children, although more communication might expose children to greater conflict between their separated parents. It is a simpler approach, administratively, and is consistent with the way private child support is treated among families not participating in the welfare system.

The ultimate fiscal implications of the policy are yet to be determined. Will private child support prove to be a reliable and adequate source of income that allows resident-parent families to leave public assistance? Will the beneficial effects of the policy compensate the state for the loss of revenue that follows from passing on all child support paid to children on public assistance?

Wisconsin, alone among U.S. states, has chosen the third option. It passes on all child support paid by the nonresident parent to the mother receiving welfare, and it disregards all such support in calculating the payments to the child's family under Temporary Assistance for Needy Families (TANF). Wisconsin undertook this policy change as part of a major restructuring of public assistance in the state (Wisconsin Works, W-2). Challenging in itself, this restructuring also affected the state's changing child support policy.

## The administrative context

In comparison with other state TANF programs, several features of W-2 are unusual and have important implications for the administration of the child support experiment. Especially, they concern the obligations imposed

This article draws from D. Meyer and M. Cancian, *Initial Findings from the W-2 Child Support Demonstration Evaluation*, August 1999 (see note 1). The implementation analysis reported here is discussed in chapter 2 of that report and draws primarily upon the work of Thomas Kaplan and Thomas Corbett.

on the resident parent receiving welfare. These features include:

- Minimal emphasis on social contracts, in which the state and the participant agree on reciprocal obligations. Instead, the primary emphasis is on the participant's obligation to follow the employability plan or to find a job if she is considered ready for unsubsidized employment. The Financial and Employment Planners (FEPs) who provide assistance in these processes have complete discretion in deciding such matters.
- Emphasis on immediate work or work activities as a prerequisite for cash assistance. W-2 seeks to replicate "the real world of work" by providing assistance levels that are unrelated to family size and by tying assistance to actual hours of participation. Applicants go to job centers, which also serve workers who are not welfare participants.
- Financial penalties for failure to participate in assigned activities. These are promptly invoked; there is no grace period.
- Heavy use of private agencies. In the great majority of Wisconsin counties, the agency operating W-2 is the county social or human services department that operated AFDC. In nine counties, W-2 is operated by private agencies under contract to the state. Since one of these counties is Milwaukee, where over 80 percent of W-2 participants were enrolled in the first 18 months of the program, the larger part of welfare administration in Wisconsin is, in effect, run by private agencies.

Welfare-to-work programs in general place heavy demands on program management, since administrators must move from emphasizing a condition (eligible or ineligible in a particular month for a particular level of payment) to tracking a process (progression through stages from welfare to work). W-2 presents even greater management challenges. The extensive use of private agencies has required new contracting and oversight procedures and generated concern about an unexpected level of agency profits. The promptness of financial penalties has placed special responsibilities upon the FEPs, who must convey the importance of meeting program obligations in a friendly and supportive way while also determining (sometimes on the basis of brief acquaintance) whether to invoke penalties or grant exemptions for good cause.

## The Child Support Demonstration

Understanding how Wisconsin's child support policy is working is particularly important because, under the terms of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, states were permitted to set their own policies with regard to retaining or passing through child support collected for families receiving welfare. The larger number abolished the $50 disregard (see the article in this *Focus* by Cassetty and colleagues). Wisconsin offers an opportunity to explore the potential advantages of a different approach.

The new child support policy in Wisconsin is operating as a demonstration program under a waiver from the federal Department of Health and Human Services. The waiver requires an evaluation based on the random assignment of resident parents to two different policy regimes. The evaluation is being conducted by IRP, which is using administrative and survey data to determine the effects of the child support demonstration within the broader context of W-2.[1]

Every resident parent who walked into a W-2 agency between September 1997 and June 1999 was potentially a participant in the Child Support Demonstration Evaluation, whether or not she (or he) chose to apply for W-2 benefits. These parents were randomly assigned to an experimental or control group.[2]

Those in the experimental group receive all child support paid on their behalf. Those in the control group who are in unsubsidized employment (about 30 percent of the total) also receive all support paid, but those who are in subsidized employment receive a reduced amount—either up to $50 or 41 percent of the amount paid, whichever is greater. Ultimately around 7,000 were randomly assigned to the experimental and control groups (about 3,500 cases each). About three-fifths of these came from AFDC cases active in August 1997, the remainder from cases applying for assistance after W-2 was implemented in September 1997.

A major part of the evaluation has been an assessment of the effectiveness with which the policy has been implemented, especially in its earlier phases. In this article we discuss some of the findings from that analysis. They provide an interesting case study of the ability of government to implement complex reforms.

## Implementing the new child support pass-through policy

### Local W-2 agencies

Whether or not they ultimately decide to enroll in W-2, most resident parents assigned to an experimental or control group would at least meet with a resource specialist who would screen them for eligibility, discuss what other programs are available, possibly divert them elsewhere, and, for those who choose to enroll, set up further appointments with FEPs. This is an important juncture for discussing the nature of the child support policy. But did agency staff do so?

We found that staff in those W-2 agencies that had previously been AFDC agencies both understood the demonstration and did discuss it with resident parents starting on W-2. Most were inclined to think that few of their W-2 participants were likely to receive enough child support to be affected by their status in the experiment.

The level of staff understanding was quite different in Milwaukee. For these newly contracted private agencies, every aspect of the welfare program was new, including the computer system.[3] In the midst of so much simultaneous change, the child support demonstration was not immediately understood, nor was it routinely explained to participants, as shown in this transcript of an interview with a Milwaukee FEP:

> **FEP**: [The computer system] might tell us this person has been selected for the control group. But I never tell them [participants] they have been selected because I really don't know. . . .
>
> **IRP Interviewer:** Do you talk about it at all with them, that some people are in this group and some are in this? Or do you just leave that to the Child Support staff?
>
> **FEP:** I tell them that, you know, because sometimes they asked "Are they going to get the full amount," or "Could they?" Because they, a lot of times clients hear from other people and everything, and I tell them, "Yeah, but I don't know what group you will fall under." . . . [T]he only thing I tell them is just, you know, "You'll be notified as to if you will get the whole amount opposed to part of it anyways." . . .
>
> **IRP Interviewer**: How will they get notified? Do you know?
>
> **FEP**: I have no idea.[4]

Agency employees' understanding of the pass-through policy grew incrementally after the demonstration began—the state distributed more informational materials and held more and better training sessions—and the level of comprehension in January 1999 was much higher than it had been even six months earlier. Nevertheless, it was inconsistent. Some FEPs were knowledgeable; some were unable to explain the program. Participants in the demonstration were supposed to sign an acknowledgment that the program had been explained and that they understood their status, but as late as January 1999 staff in one Milwaukee agency were unaware of that requirement.

### County child support agencies

Child support specialists in general commented on the increasing complexity of the public assistance environment in which they operated. Before W-2, they had only to distinguish between those who were receiving AFDC and those who were not. They now had to be aware of participants who might be in one of six different categories.[5]

Not only is the public assistance environment more complex, but the experiment affects only a small part of all child support cases. It is not unusual for a child support specialist to have a caseload of over 1,000, only a small portion of whom receive W-2. A Milwaukee child support worker commented, "You know, it really is kind of confusing to us over here, because we've not had a lot of training in any of these kinds of things." Another specialist, asked if the demonstration was mentioned to groups of resident parents, responded, "No, 'cause that's nothing to do with us. That's all Human Services. We don't have control of that at all."[6]

Although this lack of discussion may represent a lost opportunity to explain a fairly complex experiment to the people most affected by it, in fact most child support workers have little direct contact with resident parents after a support order is established. They have, however, received complaints from resident parents receiving the partial pass-through and have said they have a hard time explaining why parents do not receive the full amount. But the complaints are often not so much about the amount as about the timing. Those receiving all support paid get it immediately; those receiving only part of support have to wait for the end of the month, so that the correct amount can be calculated.

In summary, then, our analysis illustrates the challenges faced in implementing a new child support policy in the midst of a major restructuring of public assistance programs. Although experienced welfare agency workers generally understood the program and said they explained it to participants, in new agencies the program was neither fully understood nor made part of routine agency operations. And there were other problems. Faced with an unexpected decline in applications for public assistance, the demonstration had several times to retool its strategies for assigning participants; it was also plagued by computer problems, and admissions were actually halted for 6 months in 1998 while the problems were resolved. The implementation analysis suggests that in the early months, participants in the demonstration, especially in Milwaukee, may neither have understood its purpose nor known their own status.

## Conclusions

It is at this point premature to discuss the effects of the experiment for the well-being of mothers and children and for relationships between fathers and children. These analyses are under way, but at present only administrative data from the first 9 months are available for analysis. The early data suggest that participants in W-2 are moving off the program fairly quickly, and many are finding employment. Earnings, however are low: by the

second quarter after entry, only 25 percent earned $2,000 or more per quarter. Although only a minority of W-2 recipients received child support when they entered W-2, the percentage with any support has been slowly increasing, and the amounts received by those who have any payments at all are important, around $200 a month.

More data are essential, not only because some effects are likely to take time, but also because knowledge of the policy is increasing over time. Many critical outcomes, including child well-being, resources after a family has left W-2, and changes in parent-child contact and informal child support require survey as well as administrative data. These data are now being collected and analyzed. A final report is due early in 2001. ■

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[1]A preliminary report on the project as a whole is D. Meyer and M. Cancian, *Initial Findings from the W-2 Child Support Demonstration Evaluation*, prepared for the Wisconsin Department of Workforce Development, August 1999. The report is available in full on the IRP World Wide Web site, < http://www.ssc.wisc.edu/irp/research/home.htm >. Three other articles in this *Focus* also relate to IRP's Child Support Demonstration Evaluation—those by Pate, by Bartfeld and Sandefur, and by Cassetty and colleagues.

[2]A third, "nonexperimental" group included all others participating in W-2. They receive the full amount paid and are otherwise treated identically to the experimental group. Those who then chose not to apply to W-2 or were diverted by the agency will be considered in a separate analysis.

[3]Agencies were required to use the state's public assistance information system, CARES, in order to provide a measure of continuity and consistency in reporting. See Meyer and Cancian, *Initial Findings*, pp. 16–17.

[4]Meyer and Cancian, *Initial Findings*, pp. 18–19.

[5]These were participants receiving: (1) a W-2 payment and a full child support pass-through; (2) a W-2 payment and a partial pass-through; (3) a W-2 payment but no child support payment; (4) child care assistance; (5) food stamps; (6) Medicaid.

[6]Meyer and Cancian, *Initial Findings*, p. 21.

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# Child support as an income source for welfare recipients in Wisconsin: Where are the gaps?

Judith Bartfeld and Gary Sandefur

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In an era of time-limited public assistance, policymakers and politicians frequently express the hope that a stronger private child support system can replace income that has been provided to low-income single parents through the public welfare system.

At the same time, some critics fault the welfare system for not allowing parents to combine public assistance with private child support. Under Wisconsin's welfare replacement program, known as Wisconsin Works, or W-2, this is no longer the case. In addition to any assistance received from W-2, participants are also allowed to keep *all* child support paid on their behalf. Child support should, therefore, be a more important supplemental income source for families receiving public assistance in Wisconsin than in other states, where most child support paid on behalf of families receiving public assistance is retained by the state to offset welfare payments.

Many factors may nonetheless limit the importance of child support for this population. First, many W-2 participants do not have a legally identified ("legal") father for their child(ren), and thus cannot receive formal child support. Second, child support orders may be low or nonexistent. Third, existing support orders are frequently not paid. Finally, all of these factors are compounded by the low incomes of many noncustodial parents in this population.

Early research suggests, indeed, that child support is not a major income source for most W-2 participants. Fewer than one-quarter of participants received child support during their first quarter on W-2, and only 38 percent received support during the first year following W-2 entry. But child support amounts are high enough to make a difference in the lives of those who do receive such support. The average monthly support received, when positive, was $185 during the quarter of W-2 entry, increasing to $217 by the third quarter after entry.[1]

These statistics are broadly consistent with what we know about the prevalence and amount of child support received by never-married mothers nationwide (see the article in this *Focus* by Bartfeld and Meyer). Likewise, they are consistent with data from the 1996 Child Support Supplement to the Current Population Survey, which indicates that only 26 percent of child-support-eligible mothers who received AFDC during the year also reported child support income.

This article examines the ways in which potential child support is lost to welfare recipients in Wisconsin, by quantifying the stages at which such recipients "fall out" in the child support process.[2] In particular, we examine the extent to which potential support is lost because there is no legal father, no support order, and no support payment. These steps are sequential, and a parent can fail to receive support because of a breakdown at any of these points.[3] Note that we do not address two additional points at which potential support is lost: orders which fall below support guidelines, and lack of full payment. Furthermore, we focus solely on where potential support is lost at the time that a custodial mother enters W-2. In future work, we will track parents' progress through the child support system over time.

Because many parents receiving W-2 have multiple children, often with different fathers, a mother could be at a different stage in the child support process with each of her children. We begin by summarizing how children fare in the child support process, and subsequently to look at how mothers fare, considering all of their children.

We use administrative data from the W-2 and child support systems to address these questions. We focus on the 25,792 single mothers who entered W-2 over the first 21 months of program operation—from September 1997 through May 1999. A high proportion of these women have more than one child—indeed, 40 percent of them have three or more children. And the great majority of those children were born outside marriage; 85 percent of the fathers are nonmarital fathers, for whom paternity needs to be legally established at the time of the birth or later.

Our sample includes mothers receiving cash assistance as well as those receiving case management only. We exclude women who qualified for W-2 case management services because they were pregnant but who had no children when they entered the program. The majority of our sample (68 percent) entered the program during the first six months, primarily by transferring from Aid to Families with Dependent Children (AFDC), whereas the remainder entered the program at a fairly uniform rate over the subsequent quarters.

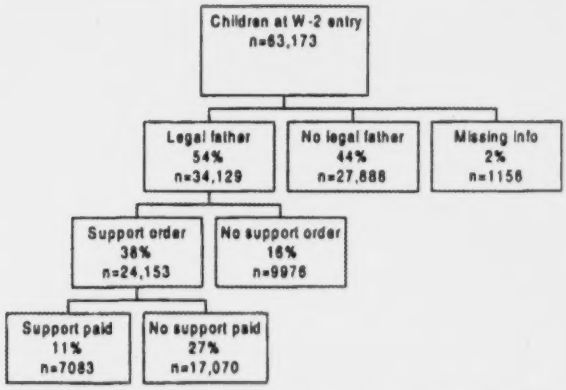


**Figure 1. Child support outcomes for children during first month of W-2 participation.** Each group's percentage of the total sample is shown.

**Source**: Wisconsin Child Support Demonstration Evaluation.

## How do children fare in the child support process?

Figure 1 illustrates the extent to which children have progressed through the child support system at the time their mother enters the W-2 program. Of all the children in our sample, 54 percent, a bare majority, have a legally identified father when they enter the program.[4] Three-quarters of these children were born outside marriage, and their fathers have formally established paternity. Of children with legal fathers, 71 percent—or only 38 percent of all children entering W-2—have been awarded child support and are at a point at which they could be receiving formal support payments. Finally, of the subset owed child support, only 29 percent—11 percent of all the children in the sample—received a payment during the month they entered W-2.[5]

Lack of a legal father is clearly a critical step in this process, as nearly half of the children fall out at this stage. In the case of divorce, identification of a legal father is automatic. For children born outside marriage, however, identification of a legal father requires that paternity formally be established, either through the courts or through an expedited administrative process. There are a variety of reasons that no legal father is established at this point: the mother could be unwilling or unable to identify the father, the father could have been identified but not located, or the father could still be in the process of establishing paternity.

At the time they entered W-2, less than half of children born outside marriage had a legal father (Figure 2). With extremely limited exceptions, mothers who receive assistance from W-2—and in the past, mothers who received assistance from AFDC—are obligated to cooperate with the child support system to identify a father and seek a support order. Mothers who are not receiving public assistance, however, are not legally required to do so. We would expect, then, that children whose mothers have had greater exposure to public assistance are more likely to have legal fathers. This indeed is the case. Only 27 percent of children whose mothers are new to the welfare system (they had not, at least, received welfare in the prior 18 months) have legal fathers, compared to 53 percent among children whose mothers have been on AFDC for most of the last 18 months (Figure 2).

The pattern is similar for support orders. Among children with a legal father, support is much more common if the mother has had longer experience with AFDC (Figure 3). The data suggest, then, that longer periods of welfare

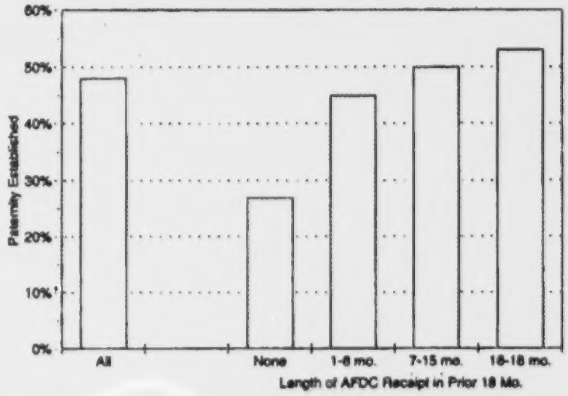


**Figure 2. Paternity establishment among nonmarital children, in cases entering W-2. N = 53,542.**

**Source**: Wisconsin Child Support Demonstration Evaluation.

**Note**: Mothers entering W-2 September 1997 to May 1999; mother's AFDC receipt in prior 18 months is used as an indicator of experience with the welfare system.

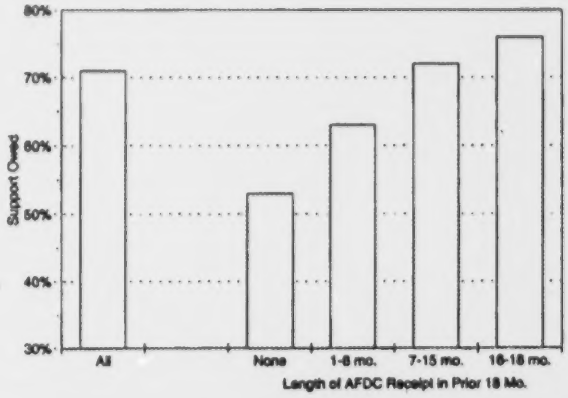


**Figure 3. Support orders among children who have legal fathers, in cases entering W-2. N = 34,129.**

**Source**: Wisconsin Child Support Demonstration Evaluation.

**Note**: Mothers entering W-2 September 1997 to May 1999; mother's AFDC receipt in prior 18 months is used as an indicator of experience with the welfare system.



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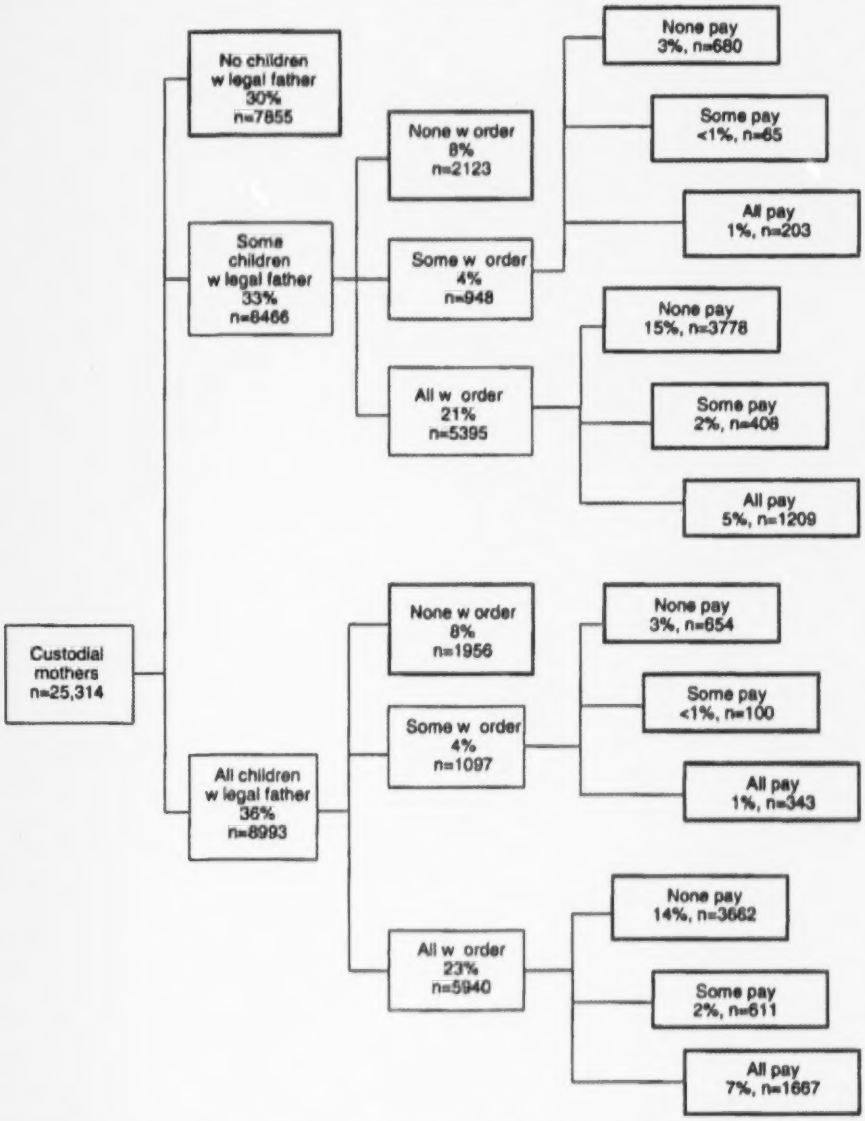
Custodial mothers n=25,314
No children w legal father 30% n=7855
Some children w legal father 33% n=8466
All children w legal father 36% n=8993
None w order 8% n=2123
Some w order 4% n=948
All w order 21% n=5395
None w order 8% n=1956
Some w order 4% n=1097
All w order 23% n=5940
None pay 3%, n=680
Some pay <1%, n=65
All pay 1%, n=203
None pay 15%, n=3778
Some pay 2%, n=408
All pay 5%, n=1209
None pay 3%, n=654
Some pay <1%, n=100
All pay 1%, n=343
None pay 14%, n=3662
Some pay 2%, n=611
All pay 7%, n=1667

**Figure 4. Child support outcomes for mothers during first month of W-2 participation.** Each group's percentage of the total sample is shown.

**Source**: Wisconsin Child Support Demonstration Evaluation.

receipt are associated with improved child support outcomes. Of course, this simple analysis does not prove that welfare participation is the cause of those outcomes; such a conclusion would require a more complex analysis to determine the factors contributing to changing support outcomes over time.

## How do mothers fare in the child support process, considering all their children?

It is common for a mother to be at different points in the child support process for different children—and two-thirds of these mothers have two or more children. We aggregate across children to determine how custodial mothers entering W-2 fare with regard to child support, considering all of their children. This information is summarized in Figure 4, which examines three steps—establishment of a legal father, existence of a support order, and payment of support—and indicates whether each step is achieved for all, some, or none of the children associated with a W-2 case.

Several stories emerge from these results. On the one hand, having multiple children provides mothers with multiple opportunities for successful support outcomes. This is clearly indicated by comparing the situation of children in Figure 1 to that of mothers in Figure 4. For

example, only 54 percent of children have a legal father (Figure 1), whereas 69 percent of mothers have at least one child with a legal father (Figure 4). From this standpoint, support outcomes appear to be more favorable when the mother rather than the child is the unit of analysis.

On the other hand, having multiple children also provides multiple opportunities for losing potential child support. Mothers are much less likely to have successful child support outcomes on behalf of *all* of their children than to have successful outcomes on behalf of *any* children. This is best illustrated by the following statistics in Figure 4: only 36 percent of mothers have a legal father for each of their children; only 23 percent have an order on behalf of each of their children; and a strikingly low 7 percent have support paid on behalf of each of their children during the month they enter W-2. In short, even when mothers successfully navigate the child support system with one child, they are often not able to do so with all of them.

## The implications

These simple descriptive statistics suggest that few women and children on welfare benefit fully from the potential child support available to them at the time they enter the W-2 program. The barriers occur at each stage of the child support process. Too few children have legal fathers. Among this group, too few have child support orders. Among those with orders, far too few have support paid on their behalf.

It is important to remember, however, that this is a very disadvantaged population who are selected by their decision to seek public assistance. They are different in many ways from low-income women with children who elect not to seek such assistance, and we cannot generalize from the results for this group to other groups of women and children.

Furthermore, this article has looked only at the formal child support system, and reflects the perspective that cooperation with the formal system is the preferred outcome. Other work suggests, however, that some men provide support informally and off the books (see the article in this *Focus* by Waller and Plotnick). Likewise, research suggests that many fathers of children on welfare have extremely low incomes (see the article in this *Focus* by Martinez and colleagues). In some cases, fathers may be incapable of providing either formal or informal support. In still other cases, there are significant psychological costs to the mother of establishing paternity and creating a formal relationship with a father with whom she would prefer to have as little to do as possible. Despite these caveats, formal child support, as we noted earlier, does make a substantial difference to those who receive it.

In light of Wisconsin's child support pass-through policy, it seems likely, from these findings, that increased vigor in establishing paternity, obtaining support orders, and ensuring the payment of child support have the potential for improving the lives of families on welfare in both the short and the long run. ■

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[1]D. Meyer, M. Cancian, J. Bartfeld, E. Caspar, R. Haveman, and others, *Initial Findings from the W-2 Child Support Demonstration Evaluation*, report to the Wisconsin Department of Workforce Development, August 1999. This report is available in full on the IRP web site, < http://www.ssc.wisc.edu/irp/research/home.htm >. See also L. Scoon-Rogers, *Child Support for Custodial Mothers and Fathers: 1995*, Current Population Reports P60-196, U.S. Bureau of the Census, Washington, DC, March 1999.

[2]We are grateful to Jongsoog Kim and Steven Cook for assistance with the analyses.

[3]Of course, parents can choose to pay support outside of the formal system, and research suggests this is not uncommon despite the potential risk to both parties. Such informal support payments are not captured in our analyses. See K. Edin and L. Lein, *How Single Mothers Survive Welfare and Low-Wage Work* (New York: Russell Sage Foundation, 1997).

[4]Information is missing for 2 percent of children, who are presumed not to have a legal father, because they are not found in the state administrative system used to track child support, the KIDS database.

[5]In theory we should not find any support payments in the absence of a formal order. We do, however, find payments for 81 cases without support orders.

***Fathers under Fire: The Revolution in Child Support Enforcement***

Irwin Garfinkel, Sara S. McLanahan, Daniel R. Meyer, and Judith A. Seltzer, editors

1998, 369 pp. $49.95. For information: Russell Sage Foundation, 112 East 64th Street, New York, NY 10021 Tel., 212.750.6000; Fax, 212.371.4761; e-mail, info@rsage.org.

# Who gets custody?

Maria Cancian and Daniel R. Meyer

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Contemporary changes in the living arrangements of children have major implications for the success of social policies designed to improve their well-being.[1] The rise in the number of people cohabiting and the number of children born outside marriage has recently attracted the lion's share of public attention, in part because so high a proportion are poor. But rates of separation and divorce, though no longer rising, remain high, and so does the economic vulnerability of children in separated families.[2] Effective child support policies must address the needs of these families also, but to do so we must understand the repercussions of changing family organization in the areas of divorce and custody.

Changes in family structure include not only the high rate of marital breakdown, but also changes in the family division of labor and responsibility for children. Many recent social welfare and family policy initiatives have reflected a growing interest in increasing the role of fathers, given the negative consequences of growing up in a single-parent family.[3] Does living without a father have detrimental effects on a child's development? Those who believe so argue that fathers should play an increased role in their children's lives, potentially through shared physical custody. But if poverty rather than the absence of the father is at the root of problems in mother-only families, then one remedy is the transfer of a larger share of fathers' resources to their children; indeed, this perspective underpins the child support enforcement system. Another remedy would be to grant sole custody more often to fathers, who tend to have higher incomes than do mother-only families.

Until recently, the custodial parent was almost invariably the mother, and there has been little opportunity to explore the correlates of where children live (i.e., physical custody arrangements). State custody laws previously gave an explicit preference to mothers, but in every state, gender preference has now been removed. This article seeks to place mother-custody families in a richer context, by providing information also on other kinds of custody that have recently become more common—shared custody and father-only custody.[4] A trend toward shared custody, for example, may have important implications if fathers provide more resources toward children who are at least partly in their custody.

Although some national longitudinal data sources identify divorced families with children, none has information on custody issues. In this article, we use the Wisconsin Court Record data, a uniquely detailed sample of cases coming to court in 21 Wisconsin counties. We examine physical custody outcomes for approximately 4,000 cases from 1986 to 1994, including both sole- and shared-custody cases (see Table 1). With these Wisconsin data, we are able to examine custody outcomes over a nine-year period, rather than at a single point in time.

## The policy context

When parents divorce, several formal legal decisions must be made: where the child is to live (physical custody), who is to make major decisions about the child

**Table 1**
**Selected Characteristics of Families in the Wisconsin Sample**

| Characteristics | Mother Sole Custody | Shared Custody | Father Sole Custody |
|---|---|---|---|
| Parents' Employment and Earnings | | | |
| Both employed | 73.6 | 87.0 | 74.8 |
| Only father employed | 16.7 | 10.5 | 16.5 |
| Only mother employed | 5.9 | 2.0 | 5.1 |
| Neither employed | 3.8 | 0.5 | 3.6 |
| Total family income (mean) | $42,837 | $51,063 | $41,577 |
| Mother's share | 40.4 | 37.8 | 31.0 |
| Home Ownership | 47.2 | 65.5 | 56.4 |
| Mother Received AFDC | 25.4 | 14.5 | 14.0 |
| Prior Marital Status and Children | | | |
| Father has other children | 5.4 | 3.0 | 1.4 |
| Father has prior marriage | 15.7 | 12.5 | 10.4 |
| Mother has other children | 7.8 | 8.3 | 10.4 |
| Mother has prior marriage | 12.3 | 15.7 | 14.2 |
| Gender of Children | | | |
| All boys | 34.0 | 42.2 | 40.2 |
| All girls | 34.0 | 30.6 | 27.0 |
| Both | 32.0 | 27.0 | 33.0 |
| All aged 11+ are boys | 11.5 | 14.1 | 19.5 |
| All aged 11+ are girls | 12.0 | 10.6 | 13.5 |
| Both boys and girls aged 11+ | 5.5 | 3.5 | 7.4 |
| No child aged 11+ | 71.0 | 71.8 | 59.6 |
| N | 3,226 | 432 | 415 |

Source: Wisconsin Court Records Data.

Note: The average age of the mothers was 32.7 and of the fathers, 35.2. The average length of marriage was 10.8 years. All figures are percentages unless otherwise indicated.

(legal custody), how assets will be divided, and whether there will be continuing financial transfers (alimony or child support). These decisions, often initially negotiated by the parents, are then approved or, sometimes, ordered to be revised by the court.

The explicit preference for the mother in custody determinations, itself a 19th-century development, began to yield ground in the 1960s. Since then, the prevailing theory has held that physical custody should be awarded in keeping with the "best interests" of the child. In practice, custody has still mostly gone to the mother. More recently, the view that children should spend substantial amounts of time with each parent—an arrangement known as "shared physical custody"—has been legally recognized and in some states is now preferred.

The evidence nevertheless suggests that custody may largely be determined outside the formal legal process, whatever the preferred policy. A California study from the mid-1980s found that about four-fifths of mothers wanted sole physical custody. Among fathers, preferences were almost equally divided: a third wanted sole custody, a third shared custody, and the remainder wanted the mother to have sole custody. Despite these differing preferences, the issue was rarely contested; in almost 80 percent of cases, the parents agreed on which of them should receive physical custody. When custody was contested, the decision favored the mother about twice as often as the father.[5]

## Custody determination: Theory and reality

The classical economic model of the household posited that the husband worked, because he could command a higher wage, while the mother, whose earning capacity was lower, provided the primary care for children and other "home production." If the parents divorced, this division of labor led, logically, to mothers gaining sole custody of the children while fathers continued to provide financial support in the form of alimony and child support.

This model seems increasingly less convincing as more women with children enter the workforce and as their wages approach those of men. Although women continue to bear a disproportionate share of household labor, husbands have increased the time they devote to child care and other work in the home. Under these changed circumstances, the implications of economic models for custody also change. The theory implies that a mother is more likely to have custody if she has a relative advantage in providing child care, a father if he has a relatively higher income than the mother.

The trade-offs between work and child care responsibilities also vary with the number, age, and gender of the children. Parents' attitudes about the different caretaking needs of boys and girls or of younger and older children may affect their decisions about who should have custody.[6] Parents' preferences and the court's judgments may also depend on other family commitments. Parents who have been previously married or who have other children may have less interest in custody.

### Custody outcomes

Some "baseline" evidence on custody arrangements made during the 1980s exists for four states. In three midwestern states, Wisconsin, Michigan, and Minnesota, physical custody went to the mother in the vast majority of cases (89 percent in Wisconsin and Michigan, 81 percent in Minnesota). The father gained custody in about 10 percent of cases, and joint physical custody was established for only 2 percent of cases in Wisconsin and Michigan, 6 percent in Minnesota. In California at the same time, rates of joint custody were higher, about 20 percent, but father-only custody was awarded in just 9 percent of cases.[7]

There is some national evidence suggesting that fathers may be playing a larger role, even though most children live with their mothers after divorce. One study estimated that in 1988–89, joint custody (physical or legal) was awarded in about 13 percent of cases.[8] And the numbers of father-only families with children increased nationally by over 40 percent in the 1980s, in every state and ethnic group, suggesting that more fathers may be taking sole custody.

In all studies, father-custody was more likely for boys and for older children. The evidence regarding the income of the parents was inconsistent, though most studies found that shared physical custody was more likely when fathers had higher income.

## The evidence from Wisconsin

Over the relatively short period from 1986 to 1994, there is a small but definite trend in custody arrangements made in Wisconsin courts. In the early years, mothers were awarded sole custody in 80.2 percent of cases; by 1992–94, the rate had fallen to 73.7 percent. Throughout these years, father-only custody cases held steady at about 10 percent. Thus the decline in mother-only custody reflects increases in equal and unequal shared custody.[9] By 1992–94, unequal shared custody was awarded in 8.4 percent of cases, equal shared custody in another 5.8 percent.

We estimated the likelihood of shared custody (equal or unequal) and father-only custody, relative to mother-only custody. We included each parent's employment status and the relative share of family income earned by the mother; these, we assume, reflect the extent to which the mother is the primary caretaker and each parent is

involved in the market and home spheres. We examined total income and home ownership to explore whether custody outcomes differ by class. We took into account prior marriages and prior children, and the number, age, and gender of the children from the marriage that was ending. We included parents' ages, the length of the marriage, and whether the mother received welfare (we do not know race and educational level). Finally, we included variables related to the court process (who had legal representation, who was the plaintiff, and the county of final judgment), but our findings were qualitatively similar when these were excluded (they are not reported here).

We found that employment status had only a small impact: cases in which only the father works are less likely to result in shared custody than are cases in which both parents work, all else being equal. Perhaps women who do not work tend to be primary caretakers, and so more likely to request sole custody. As family income rose, the probability of shared custody rose, though at a declining rate, and that of father-only custody fell. As the mother's share of total family income increased, the probability of father-only custody declined markedly. Home ownership increased the probability of shared custody and father-only custody; welfare receipt decreased the probability of both.

If a parent has been previously married or has children from a previous relationship, he or she (especially the father) is less likely to be awarded sole custody. Older mothers are more likely to be awarded sole custody, but the only other noticeable effect of parents' ages and length of marriage is a somewhat greater likelihood that fathers in long marriages will be awarded sole custody.

The number of children in a family has no apparent direct effect, but their age and gender do. If there are young children—even up to age 10—the father is less likely to receive sole custody, but the probability of shared custody is unaffected. If the children are all boys, shared custody is more likely. If the family contains boys over age 11, fathers are more likely to receive sole custody.

The results we report here are only from a single state, but the significant, if small, increase in shared custody mirrors national trends. It is perhaps not surprising that shared custody increases with income and is more likely among couples who own a home—shared custody is, after all, a more expensive outcome in that both parents typically need bedroom space for the children and there may be costs for regular transportation and other items.

Our results do not support the theory that mothers who do not work outside the home are more likely to remain primary caretakers after a divorce. Although mothers without income are slightly more likely to receive custody than mothers with low earnings, the effect is not large. Moreover, at other levels of income, we find (holding the father's income constant) that mothers who have higher earnings are *not* less likely to receive custody—indeed, in such cases the *fathers* of the children are. This finding is more consistent with the notion that the balance of power between the spouses is important, and that mothers gain a share of custody when they have a higher share of the family's economic resources. Economic viability is not the only criterion, however: mothers who received welfare are more likely than the fathers of their children to be awarded custody.

## The implications

The rise in shared custody makes possible explicit examination of father-only and shared-custody families. Such research may provide a different perspective on the extent to which low income is responsible for the negative consequences of growing up in a single-parent family. The prevalence of mother-only custody also appears to contribute to the lower remarriage rate of divorced women as opposed to divorced men and hence to their greater poverty. Shared custody may therefore benefit mothers. Yet if it results in greater conflict between separated parents, children may suffer.

The extent to which these changing custody patterns affect children's well-being depends at least partly on the stability of the initial living arrangement. The California study earlier discussed found that, two years after the divorce, there had been substantial changes in where children were living. Particularly unstable were arrangements in which children were to spend significant time with fathers. Almost half of children who began in "dual residence" and 30 percent of those initially with their fathers had moved to some other living arrangement, compared to only 16 percent of children initially living with their mothers. The stability of shared custody arrangements is the focus of new research under way at the Institute for Research on Poverty. Understanding the dynamics of shared custody is increasingly important for the design of child support enforcement programs and policies. The long-term implications of custody awards for fathers' roles and children's well-being merit further study. ■

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[1]A long version of this article appeared in *Demography* 35, no. 2 (May 1998): 147–57. It is summarized here by permission of the Population Association of America, the publishers of *Demography*.

[2]In 1997, the number of never-married mothers was around 4 million, but the number of previously married mothers was about 4.6 million (see the article in this *Focus* by Sorensen and Halpern). And around 70 percent of the increase in mother-only families among white children between 1960 and 1988 can be accounted for by the rise in separation and divorce, which far outweighed the rise in never-married mothers. See G. Duncan and J. Brooks-Gunn, ed., *Consequences of Growing Up Poor* (New York: Russell Sage Foundation, 1997), p. 30.

# *Child Support: The Next Frontier*

**J. Thomas Oldham and Marygold S. Melli, Editors**

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[3]S. McLanahan and G. Sandefur, *Growing Up with a Single Parent: What Hurts, What Helps* (Cambridge, MA: Harvard University Press, 1994).

[4]The article on which this summary is based also considers split custody; the sample is, however, very small and such families are not discussed here.

[5]E. Maccoby and R. Mnookin, *Dividing the Child: Social and Legal Dilemmas of Custody* (Cambridge, MA: Harvard University Press, 1992).

[6]G. Fox and R. Kelly, "Determinants of Child Custody Arrangements at Divorce," *Journal of Marriage and the Family* 57, no. 3 (1995): 693–708.

[7]See, e.g., J. A. Seltzer, "Legal and Physical Custody Arrangements in Recent Divorces," *Social Science Quarterly* 71, no. 2 (1990): 250–66; Fox and Kelly, "Determinants of Child Custody"; Maccoby and Mnookin, *Dividing the Child*.

[8]D. Donnelly and D. Finkelhor, "Who Has Joint Custody? Class Differences in the Determination of Custody Arrangements," *Family Relations* 42, no. 1 (1993): 57–60.

[9]We define "unequal shared custody" to mean that the child lives with one parent 30–49 percent of the time, and with the other parent 51–70 percent of the time.

# Child support and child access: Experiences of divorced and nonmarital families

Judith A. Seltzer

Judith A. Seltzer is Professor of Sociology at the University of California, Los Angeles, and an IRP affiliate.

If child support is more strictly and widely enforced, what will be the consequences? Are parents who pay support more likely to remain involved in their children's lives? Will more stringent enforcement have different effects on children born to married and unmarried parents?[1]

There are no obvious answers to these questions, and data have been especially sparse in two areas: whether involvement changes over time, and the experiences of nonmarital families. Despite the demographic and administrative significance of children born outside of marriage—nearly a third of U.S. children are born to unmarried parents—most research has focused upon divorced parents. One large body of data, however, does provide information about child support and visiting behavior for divorced and unmarried parents over the longer term: the National Survey of Families and Households (NSFH). Using NSFH data, I explore two questions: How does fathers' contact with children change over time? Do fathers who pay more child support see their children more frequently?[2]

## The expected effects of child support on fathers' time with their children

For nonresident as for resident parents, looking after children potentially involves trade-offs between time and money. In order to pay support, nonresident fathers may work longer hours, and have less time to spend with children. And the money they pay in support means that less will be available to the father for travel expenses for visiting or for purchasing things children might need.[3]

Most evidence suggests a generally positive relationship between paying child support and visiting. The converse also holds: families that report problems with paying and collecting child support are likely to report problems with visiting.[4] Economic theory suggests that the connection would make sense. Fathers may use visits to keep track of how the children's mothers spend their contributions. And the act of paying support may alter both parents' perceptions about a father's right to spend time with his children.

It is possible, however, that the positive association between payment of child support and visiting is not causal, and that both are the result of other factors, such as parents' commitment to their children and their ability to cooperate in child rearing, or the father's socioeconomic status. Evidence of continuity in family relationships and in children's behavior before and after separation suggests that this may be the case.[5] If so, then child support enforcement is unlikely to increase the amount of time that nonresident parents spend with their children.

One way to judge the relative merits of these competing claims is to observe relationships between parents and children over time. The NSFH data provide longitudinal information about family relationships. The survey first interviewed a cross-section of U.S. adults in 1987–88, then reinterviewed over 80 percent of them in 1992–94. The survey included large samples of single-parent families, families with stepchildren, cohabiting and recently married couples, and some minority groups.

To explore the questions I have asked here, I use interviews with 645 women who were already resident mothers (single or remarried) in 1987–88, and who still had a child under 18 at the time of the second interview. The sample was about evenly split between divorced women and women whose children were born outside of marriage, some in cohabiting unions, some not. At the first interview, about half of the families had been separated for four years. By the second interview, half had been separated for about ten years, providing evidence on support and visiting for children in long-separated families. Information came from the mothers, who were asked about fathers' contact with one randomly selected child, about support orders, and about formal and informal child support payments.[6]

## The disengagement of nonresident fathers from their children

In the NSFH sample, contact between children and their divorced or nonmarital fathers declined significantly between the first and second interviews. About 77 percent of fathers had seen their children in the year before the first interview, compared to only 66 percent in the year

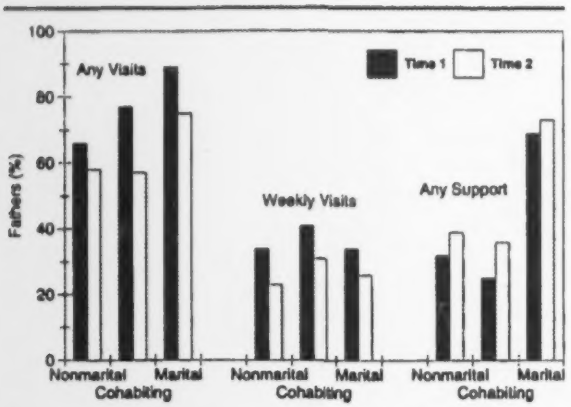


**Figure 1.** Nonresident fathers' involvement with their children in 1992–94 (Time 2), by the status of the parents' relationship at the time the child was born (Time 1, 1987–88).

**Source:** National Survey of Families and Households, 1987–88 and 1992–94, child living with resident mother in 1987–88.

before the second interview. The percentage of fathers who saw their children at least weekly declined from 34 to 25 percent. However, the proportion who paid any child support remained relatively constant, at about 50 percent (see Figure 1). Divorced fathers and unmarried fathers for whom paternity had been established were much more likely to pay child support, perhaps reflecting their greater economic resources (results not in Figure 1).

There were substantially different visiting patterns between formerly married and unmarried nonresident fathers. Divorced fathers were much more likely to see their children after separation than were unmarried fathers. The visiting patterns of formerly cohabiting fathers were more like those of unmarried than of formerly married fathers. Legal paternity made a difference: unmarried fathers who had established paternity were more likely to visit than those who had not. Children from a marriage were much more likely to make overnight stays (74 versus 47 percent, among those with any contact) or to be living with their fathers (12 versus 8 percent) than were children from nonmarital relationships (results not in Figure 1). The picture of marital status differences in contact disappears when one considers whether the father saw his child at least weekly. Approximately equal percentages of fathers had weekly contact with their children, regardless of parents' marital status when the child was born.

A comparison of the visiting patterns of fathers separated for only a short time and those who had been separated for longer shows evidence of disengagement. Eighty-four percent of all nonresident fathers who had been separated for less than two years had seen their children in the year before the interview, but only 64–76 percent of those separated for 8–10 years had done so. Declines in contact between nonresident fathers and their children occurred in the first few years after separation. Thereafter, the level of contact remained fairly stable. Fathers who still spent time with their children 10–12 years after the separation are probably those who were originally more committed to staying involved, and who arranged their lives to make it easier to do so.

About 41 percent of fathers saw their children less frequently at the time of the second interview than at the first interview, about six years earlier. Behind this aggregate statistic lies wide variability in the frequency of contact. Among fathers who had any contact at all at the first interview, 53 percent saw their children less frequently at the second interview, and 21 percent saw them more frequently. Fathers of children born outside marriage were less likely to reduce their contact over time, but that is because such a high percentage had already lost touch with their children by the first interview.

Some fathers and children reestablished ties after a period of no contact. Just over a quarter of fathers who did not see their children at the first interview were in touch by the second interview. Fathers in nonmarital families were more likely to regain contact than divorced fathers, but the difference is not statistically significant. The sex of the child also made a difference. At the first interview, 137 fathers had no contact with their children. By the second interview, 32 percent of them had reestablished contact with sons, 19 percent with daughters. Such renewed contact was most common when children were in late childhood or early adolescence, a time when they had more independence and freedom to see their fathers without relying on either parent to organize visits. Reestablishing contact was less likely when there was a stepfather in the child's home, perhaps because of conflict or ambiguity about each father's responsibility for the child. The difference by mothers' marital status, however, is not statistically significant. The fathers who renewed contact were still significantly disengaged. The most common visiting pattern was for fathers to see their children only a few times a year.

Are the low and unstable levels of contact between nonresident fathers and children likely to be altered by more rigorous child support enforcement?

## Effects of child support on fathers' contact with their children

The cross-sectional association between child support payments and visits is strong. Fathers who paid any support at all were significantly more likely to see their children, although there was no particular relationship between how much fathers paid and how frequently they visited.

The longitudinal design of the NSFH allows a direct investigation of the relationship between the payment of support and later contact between fathers and children. The data show that fathers who, at the time of the first

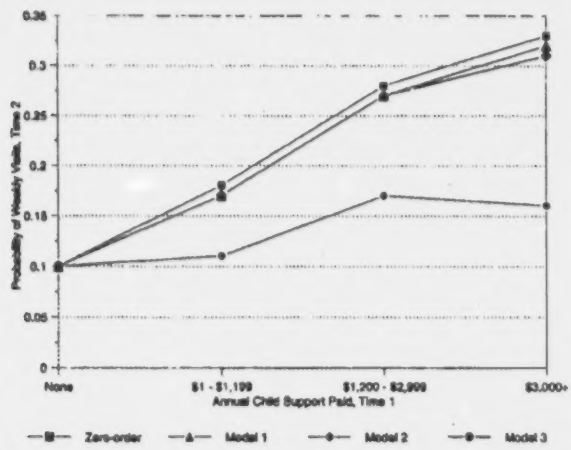


**Figure 2.** The predicted probability of weekly visits at Time 2 (1992–94) by child support at Time 1 (1987–88). The models are described in the text.

**Source:** National Survey of Families and Households, 1987–88 and 1992–94, child living with resident mother in 1987–88.

interview, were paying at least some support were more likely later on to see their children at least once a week than fathers who were not paying (23 percent versus 12 percent). It made no difference whether parents were married or not when the child was born. Fathers who were complying most fully with their support orders were also more likely to see their children frequently than those who were less compliant.

While the patterns in these data are suggestive, they do not show that child support payments "explain" fathers' continued involvement with their children. Other characteristics of fathers and their families may account for both higher payments and more frequent visits. To address this concern, I conducted a series of multivariate analyses in which I estimated the probability that a father would have at least weekly contact with his children at the time of the second interview, adjusting statistically for several other differences among fathers and families (see Figure 2).[7]

The first, zero-order, model in these analyses takes into account only the amount of child support paid at the time of the first interview and illustrates the strong gross association between visits and payments. Models 1–3 adjust for characteristics of children and their families that might explain the apparent effect of child support payments on visiting patterns. Model 1 takes into account race, the child's sex, whether the child was born into a marriage, parents' education and marital status at the first interview, and how long they had been separated. Model 2 adds the terms of the parents' legal arrangements, whether they have a formal child support order, and whether they share joint legal custody. Model 3 adds other family characteristics at the time of the first interview: the frequency of fathers' visits, whether parents had serious disagreements, and the distance between the parents' homes.

Taking account of the characteristics of children and parents included in Model 1 has little effect on the relationship between child support and subsequent contact (compare the zero-order model and Model 1 in Figure 2). Nor is there much change when the model also adjusts for legal custody and child support orders (compare Model 2 with Model 1). Only the inclusion of the characteristics in Model 3—how frequently father and child visited at the earlier time, conflict between the parents, and distance at the earlier time—reduces the association between support and visiting. Much of the association between the amount of support paid and frequency of visits is explained by these underlying characteristics of the family relationship.[8] A small association remains, however. The probability of weekly visits was still higher for fathers who paid at least $1,200 a year than it was for father who paid less. Although Figure 2 also shows that those who paid more than $1,200 in child support were more likely to see their children weekly than those who paid no support, this contrast is not quite statistically significant.

## Child support reform and fathers' access to children

Once fathers and children begin to live apart, fathers disengage from both the financial and the time-intensive aspects of rearing children. Only a minority remain closely involved in these aspects of their children's lives. Both fathers of children born in marriage and those whose children were born outside of marriage have less contact with their children the longer they have been separated.

Fathers who pay child support are more likely to spend time with their children, whether or not they were married to the child's mother. Earlier patterns of contact only partially account for the observed association between support and visiting. This suggests that child support may have a small direct effect, even after fathers' visiting patterns have been established.

That previous visiting practices explain much of the association between child support and subsequent visits leaves unresolved the question of exactly why visits and payments are related when they are observed contemporaneously. Stronger evidence on whether payments and visits are causally related would show that payments increase visits, even after adjusting explicitly for other important characteristics of families, such as parents' commitment to children or stability of fathers' employment. By focusing on families that were first observed after fathers and children had already begun to live apart, the data used in this article cannot identify the initial conditions, such as parents' cooperation or attitudes



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about child-rearing, that explain why some fathers spend significant time and money on children and others do not.

Nevertheless, the weak positive effect of child support payments on visiting in the NSFH sample is consistent with findings from other studies.[9] Taken together, these studies provide modest support for claims that stricter child support enforcement will increase fathers' contact with children. Higher child support payments are likely to moderately increase visits, at least once families establish the initial conditions for fathers' involvement with children after separation. For families that are already separated, the weight of arrangements in parents' new lives and the constraints of decisions made at the time of separation imply that increased child support enforcement will have only a small effect on fathers' contact with children.

The effect, however, may be greater in the future. The families described in this article were already separated by the time of the Family Support Act of 1988. Families separating today are in a different social and legal environment, one that attaches much more importance to nonresident parents fulfilling their economic responsibilities to their children. Parents know, to begin with, that child support will be enforced through withholding and other state and federal interventions, and this may alter their expectations about the reallocation of child-rearing and child support responsibilities.

For example, stricter enforcement of support may increase fathers' expectations that they will spend more time with their children early in the period after the parents' relationship dissolves. Fathers may in consequence organize other aspects of their lives—where they live, what they do, their relationships with new partners—to spend more time with their children and to take account of their child support obligations.

Mothers may be more willing to make it easier for fathers to maintain a relationship with their children if fathers are paying support. But if mothers find that they can rely upon the child support system to collect payments effectively, they may see less need to trade time with the father in return for child support payments. Thus better enforcement may change the balance of power in parents' negotiations over visitation.

Understanding the relationship between child support and visiting therefore requires that we study family relationships when parents are still married or still involved in their nonmarital relationship, before those ties break down. Studying what happens as parents separate and establish new child-rearing practices will provide more insight into the effects of stronger child support enforcement. ■

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[1]The research summarized in this article appears as Chapter 4 in *Child Support: The Next Frontier* (see box, p. 53). IRP is grateful to the publisher, the University of Michigan Press, for permission to make use of the chapter.

[2]By far the greatest number of nonresident parents are fathers; see L. Scoon-Rogers and G. Lester, *Child Support for Custodial Mothers and Fathers: 1991*, U.S. Bureau of the Census, Current Population Reports, P60-187, Washington, DC.

[3]Particularly in low-income families, in-kind gifts to children are an important form of support by nonresident fathers. See M. Waller and R. Plotnick, "A Failed Relationship?" in this *Focus*.

[4]See, for example, J. A. Seltzer, "Relationships between Fathers and Children Who Live Apart," *Journal of Marriage and the Family* 53, no. 1 (1991): 79–101; J. A. Seltzer, S. McLanahan, and T. Hanson, "Will Child Support Enforcement Increase Father-Child Contact and Parental Conflict after Separation?" in *Fathers under Fire: The Revolution in Child Support Enforcement*, ed. I. Garfinkel, S. McLanahan, D. Meyer, and J. A. Seltzer (New York: Russell Sage Foundation, 1998); S. McLanahan, J. A. Seltzer, T. Hanson, and E. Thomson, "Child Support Enforcement and Child Well-Being: Greater Security or Greater Conflict?" in *Child Support and Child Well-Being*, ed. I Garfinkel, S. McLanahan, and P. Robins (Washington, DC: Urban Institute Press, 1994); J. Pearson and J. Anhalt, "Examining the Connection between Child Access and Child Support," *Family and Conciliation Courts Review* 32, no. 1(1994): 93–109.

[5]See, for example, M. Koch and C. Lowery, "Visitation and the Noncustodial Father," *Journal of Divorce* 8(1984): 47–65; J. Block, J. H. Block, and P. Gjerde, "Parental Functioning and the Home Environment in Families of Divorce: Prospective and Concurrent Analyses," *Journal of the American Academy of Child and Adolescent Psychiatry* 27 (1988): 207–13; A. Cherlin, F. Furstenberg Jr., P. Chase-Lansdale, and others, "Longitudinal Studies of Effects of Divorce on Children in Great Britain and the United States," *Science* 252 (1991): 1386–89.

[6]Resident mothers are easier to locate and interview than nonresident fathers. Nonresponse rates for fathers are usually high, and evidence suggests that they are less accurate reporters about child support than mothers are (see N. C. Schaeffer, J. A. Seltzer, and M. Klawitter, "Estimating Nonresponse and Response Bias: Resident and Nonresident Parents' Reports about Child Support," *Sociological Methods and Research* 20 [1991]: 30–59; N. Schaeffer, J. A. Seltzer, and J. Dykema, "Methodological and Theoretical Issues in Studying Nonresident Fathers: A Selective Review," National Center on Fathers and Families Working Paper, University of Pennsylvania, Philadelphia, 1998). However, a mother may not know about all of a father's contributions, if they are made, for example, to the child support agency on behalf of a child on public assistance, or if they are payments to a third party for health insurance.

[7]The analysis is restricted to families in which the children lived with their mother at both interviews.

[8]This differs from the finding of Jonathan R. Veum that changes in visitation are completely independent of changes in child support payments. See J. Veum, "The Relationship between Child Support and Visitation: Evidence from Longitudinal Data," *Social Science Research* 22 (1993): 229–44.

[9]For example, Seltzer, McLanahan, and Hanson, "Will Child Support Enforcement Increase Father-Child Contact?" and McLanahan and colleagues, "Child Support Enforcement and Child Well-Being."

# Setting child support orders: Historical approaches and ongoing struggles

Ingrid Rothe and Daniel R. Meyer

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The traditions of the eighteenth and nineteenth centuries dictated that children be cared for within their families. Parents, particularly fathers, were expected to provide for their marital children in part because they were entitled to benefit from the labor of those whom they supported. Attempts to resolve the problems associated with nonmarital children consisted, first, of compelling the parents-to-be or unmarried parents to wed. Even as penalties shifted in the eighteenth century from the physical (public display in stocks or public whippings) to the financial, in the form of compelled support payments, the purpose of the penalties was to increase the pressure on the parents to marry, and not, as today, to provide for the support of the children. No particular attention was given to the amount of financial support that a single parent might need to support a child, because that was not intended to be the outcome.[1]

Similarly, as the incidence of divorce increased in the nineteenth and early twentieth centuries, the claim for support by one former partner on the other was based on the notion of encouraging the stability of the marital unit. Those spouses who were the victims of abandonment or adultery might be entitled to compensation for their injury or loss. If support for the children was considered at all, it was considered as part of the alimony; separate calculations to determine the financial needs of the child were rarely performed. When marriages dissolved and the injured spouse lived apart from the children, it is unlikely that consideration of child support would overrule the judicial inclination to reward the injured spouse. Few, if any, payments would be due to the "injuring" spouse even if the children lived in that household.

Up through the 1930s, a residential mother who was unable to provide adequately for herself and the children could resort to locally determined and frequently informal support, typically called "poor support." Poor support varied substantially from location to location, and took a variety of forms: orphanages, poor farms or poor houses, in-kind contributions, and occasionally cash. Women who were widows, rather than divorced or abandoned, were sometimes at an advantage; aid might be denied to women with children when the father was known to be alive and therefore capable of support. With the beginnings of mothers' pensions in various states, and the passage of Title IV-A of the Social Security Act in 1935, which established Aid to Dependent Children, the support of children was formally established to come from two main sources: the custodial (or residential) parent (usually the mother) and the government.

Little systematic thought was given to the notion that nonresidential parents should also contribute to the economic well-being of the children. In the jurisdictions in which separate child support was established, the "courts operated on the premise that nonresident parents were entitled to spend their money as they saw fit, with the child receiving some of what was left."[2] The net effect of this system continued to be focused on reinforcing marriage, not providing assistance to those with children in cases of marital instability.[3]

Although divorce rates rose steadily, the legal structure retained its focus on reinforcing marriage until the adoption of the Uniform Marriage and Divorce Act (UMDA) in the early 1970s. In contrast to earlier divorce laws, which continued to reflect the philosophy that marriage should be reinforced as the proper place to bear and support children by requiring the parties to identify "fault" and perhaps to penalize financially the "wrongdoer," the UMDA sought a "clean break" between the parties. In the course of this change, the financial relationship between the parties also changed: although alimony or spousal support was much less frequently awarded, child support was recognized as the financial obligation that remained from marriage.

Passage of "no fault divorce" by the states coincided with an acceleration of the rates of divorce and separation. Nonmarital births also began to rise dramatically. The increasing number of such children and the likelihood that public funds would be used for their support led inevitably to examination of the amount the nonresidential parent ought to pay for the support of the child. In the great majority of state and local jurisdictions, child support orders were set on a highly discretionary, case-by-case basis that provided widely varying obligations even for similarly situated parents and had no consistent relationship to the nonresident parent's income. In a sample of fathers with one child who earned between $145 and $155 per week, support ordered ranged from $10 to $69 per week, and sample child support orders have been found to range from zero to more than 100 percent of the nonresident parent's income.[4]

Partly to address the perceived unfairness of the locally based case-by-case system, Congress, in the Child Support Enforcement Amendments of 1984 (see this *Focus*, p. 3) required the states to establish numeric guidelines to determine appropriate amounts of child support. These were, however, to be nonbinding and were merely to be made available to judicial and administrative officials responsible for setting child support.

Federal law contained little guidance to the states on how to proceed. Before 1984 only three states (Delaware, Minnesota, and Wisconsin) had implemented statewide guidelines, although a number of local jurisdictions (Maricopa County, Arizona, Johnson County, Kansas, and Allegheny County, Pennsylvania) had established their own guidelines.[5]

In 1988, in the Family Support Act, child support guidelines were made presumptive, rather than advisory; deviations from these presumptions required justification in writing or on the court record. In addition to their concern about the equity of orders, Congress also hoped to improve the efficiency of the order-setting system and to improve the adequacy of the orders, particularly in reference to the cost of raising children.[6] All states had enacted presumptive numeric child support guidelines by 1990, only six short years after the federal government first required states to develop them.

## Alternative guideline models

The Family Support Act permitted each state to determine what factors it would consider in constructing numeric guidelines and what form they would take. Consequently, there are significant differences among the states in their treatment of factors such as child care costs, shared physical placement of the child, the birth of subsequent children, and extraordinary health care expenditures. In terms of the basic form of the guidelines, however, there is relatively little variation.

Most states have adopted what we may call a "continuity-of-expenditures" model.[7] This seeks to ensure that parents expend upon the child the same proportion of income that they would have spent if they had lived together. The two most prominent forms of this model are the percentage-of-obligor-income model, first developed in Wisconsin, and the income-shares model, developed by an advisory panel under contract with the Office of Child Support Enforcement in the U.S. Department of Health and Human Services. Both of these models rely on estimates of child expenses that are derived from consumer expenditure surveys; the percentage of expenditures varies with the number of children.[8] The third model—the Melson formula—also incorporates a continuity-of-expenditures component, but only after the parents' needs are covered. All three schemes assume that the resident parent expends his or her share directly on the child.

### The income-shares model

The most popular form of the guideline, used in 33 states, is the income-shares model. To determine the obligation, the incomes of both parents are combined and matched to estimates of how much an intact family with the same income and number of children would spend on the children. (In most states, the percentages decline with income.) Each parent is responsible for part of the expenditures on the child, proportional to his or her share of their combined income. The amount for which the nonresident parent is responsible is established as the child support order.

States make various modifications—whether gross or net income is used, and how low- and high-income obligors, extraordinary expenditures, and shared placement or "extra" visitation should be treated.

### The percentage-of-obligor-income model

Currently, 13 states use forms of the percentage-of-obligor-income model. In this model, the state selects a percentage of the nonresident parent's income (either gross or net), generally using as a guide the same studies on costs or cost-equivalencies of child-rearing expenditures used in the income-shares model. The selected percentages, which vary by the number of children, are then applied to the gross or net income of the nonresident parent to determine the child support obligation.

As with the income-shares model, states using the percentage-of-obligor-income model have developed various strategies for dealing with extraordinary expenditures, shared placement or increased visitation, and low- versus high-income obligors. Several states have adopted guidelines that increase the support percentages required of the obligor as his or her income rises.

The percentage-of-obligor-income model and the income-shares model are in fact quite similar to each other. Indeed, if one assumes that child costs are a constant share of income at all levels of income, the models are identical.[9] The child support amounts generated by each model are, as would be expected, quite similar.

### The Melson formula

Three states use the Melson formula, originally developed by Judge Elwood F. Melson, Jr., for his own use in the Delaware Family Court. The Melson formula first subtracts a minimal self-support allowance from each parent's income, to insure that each parent can maintain a subsistence standard of living. Second, it determines a similar subsistence standard for the child, and adds to it other necessary expenditures such as health or child care costs. Each parent is assigned a prorated share of the child's subsistence standard, based on his or her share of total income. Third, if the parents have income remaining, an additional percentage of income is assigned to raise the child's standard of living. The nonresident parent's child support obligation consists of the amounts that are determined from the second and third steps together.

## Are the guidelines meeting their goals?

Clearly, child support has a role to play in addressing the economic circumstances of children who live apart from one or both of their biological parents. The effectiveness of child support in achieving any goals is, of course, a function

of several factors, including how states implement the guidelines, as well as their success in obtaining and enforcing orders.[10]

Implementation of the three guideline models may differ. Some research shows that complicated formulas may be applied less consistently than simple models; the Melson model is the most complicated, followed by the income-shares model, with the percentage-of-obligor-income model the simplest. On the other hand, the models that explicitly consider both parents' incomes may have broader political appeal than the percentage-of-obligor-income model and may therefore be more readily complied with. To date, there is little research that systematically examines the implementation of different types of guideline.[11]

Next we consider goals that might be implicitly or explicitly incorporated in child support guidelines, as well as some conceptual issues that arise in the course of understanding how the guidelines work.

### Child support as an antipoverty measure

The guidelines used by most states are not explicitly designed to alleviate child poverty, although child support collections do contribute to poverty reduction among those children for whom any collections are received.[12] Although this goal is unattainable unless the parents have sufficient resources, it seems reasonable to examine the extent to which the design of the guidelines themselves addresses childhood poverty.

Among the adopted guidelines, only the Melson formula has an explicit poverty prevention component, through the calculation of the basic child support obligation designed to meet the subsistence needs of the child. The Melson formula, however, grants to the parents rather than to the child the first claims against income for poverty prevention.

Some states have adopted the concept of a "self-support reserve" for the nonresident parent. (Fewer states also provide for such a reserve for the resident parent.) This reserved income is designed to assure that the nonresident parent commands enough resources to sustain continued earning capacity; thus it also places the subsistence needs of the parent above those of the child. Such a reserve may also directly conflict with the continuity-of-expenditure goal in the income-shares guideline: some evidence indicates that low-income parents tend to expend a higher proportion of their income on their children, or at least no lower than wealthier parents.[13] Although the percentage-of-obligor-income model could also be modified to incorporate amounts for self-support, in its current form in most states, it is the only formula that gives the child's interest in poverty avoidance the same weight as the parent's interest.[14]

### Child support as a means of equalizing standards of living

When the incomes of the parents are unequal, the child's economic well-being is closely linked to the decision about who will be the resident parent. If the child lives in the household with the lower wages or income (a common occurrence in female-headed households), then continuity-of-expenditure models result in standards of living that are significantly higher in the nonresident household than in the child's household. A number of studies report that the postdivorce allocation of income across households tends to favor the nonresident parent, even after transfer of spousal and child support.[15] Does this imply that child support orders are simply too low, or is this perhaps an unintended consequence of the continuity-of-expenditure model?

Only one model, the Equal Living Standards (ELS) model, proposed equal outcomes as a goal.[16] Poverty cannot be prevented by child support alone unless both parents have incomes above the poverty line. But the decline in living standards caused by the creation of two households instead of one can be allocated equally between the households. An ELS model, by design, attempts to allocate the burden of declining standards of living resulting from the maintenance of two (or more) households equally among the child, the resident parent, and the nonresident parent. Although a number of states asserted their intentions to avoid placing the postseparation financial burden primarily on the residential household, no states adopted the ELS model. It remains controversial, in part, perhaps because it tends to result in higher child support awards at higher income levels than do other formulas.

### Child support as a means to assuring a subsistence standard for children

In two-parent families, the state takes little interest in the level of expenditures upon the child, unless these are so low that the child meets the state's standards for abuse or neglect. All of the guidelines discussed set a higher standard than subsistence for a child living apart from a biological parent *if* the parent's income is high enough to allow it.

## Guideline reviews

The Family Support Act of 1988 required states to review their guidelines at least once every four years to ensure that they result in "appropriate amounts of child support" (42 USC § 667). As part of the reviews, the states are to consider economic data on the cost of raising children and to examine case-level data to determine if their guidelines are being used.

Response to the requirement for review has been uneven. Most states have now completed two reviews. States generally did not revisit the underlying models as part of their review. Two states recommended changes, but only one state adopted the change.[17] There is no record of case-by-case reviews in several states; other states took small convenience samples and still other states tried to take a comprehensive look at guideline use.[18]

It seems clear that new strategies are needed if states are going to examine accurately the level of guideline use. The limited research in this area suggests that there are substan-

## Child support orders and state guidelines for low-income families

Because each state's child support system is very different, researchers examining the size of state orders and how they changed over time created a scenario describing a family and its circumstances and asked state officials to estimate child support awards for this family at different income levels.

The scenario is relatively simple. It does not involve serial families, split physical custody, postsecondary educational expenses, or other extraordinary factors that tend to be treated very differently by states. The family consists of divorced parents and two children. The father lives alone, the two children, aged 7 and 13, live with their mother. The father pays union dues of $30 a month and health insurance for two children at $25 per month. He spends less than 10 percent of his time with his children. The mother has monthly child care expenses of $150. The combined monthly incomes of the parents ranged from $1,200 (a family at the 25th income percentile) to $10,500 (a high-income family).

The survey was first conducted in 1988 and repeated in 1991,1993, 1995, and 1997. In 1997, a fifth family income level was added—that of a very low income family with a combined monthly income of $830, in which the mother's share, $300, was set at the lowest state need standard for public assistance for a three-person family. Support awards for this family and the family with a monthly income of $1,200 are considered below.

In 1997, the child support order for the very low income family averaged $126 a month (the median award was $111). There was substantial variation in how states treated these families: the monthly support obligation ranged from nothing in Connecticut to $275 in South Dakota—59 percent of the noncustodial father's gross income of $530.

For the low-income family, we have estimated support amounts at intervals from 1988 to 1997. Average and median support orders were remarkably consistent (both hovering around $200) until about 1995. Between 1995 and 1997, the mean amount fell by 7.2 percent and the median by 10.9 percent. Interstate variations in this obligation had also increased; it ranged from nothing, again in Connecticut, to $327 in Indiana (45.4 percent of the nonresident parent's income).

This variation suggests that states increasingly disagree about how much child support low-income fathers should be asked to provide to their children. Indeed, the debate regarding the noncustodial parent's fair share of contributions to the children is lively at all income levels, but especially at the extremes. For low-income noncustodial parents, the guidelines must weigh the ability to meet the estimated cost of the parent's own basic needs against the typical expenditures for the children. When the combined income of both parents is below the poverty line, these decisions are particularly difficult, and states appear to respond in very different ways.

***Child support orders for welfare-eligible children.*** In many states, child support for very low income women and children is insufficient to replace cash assistance from the state welfare program. The average cash payment for a family of three from Aid to Families with Dependent Children in 1996 was $410. The average support award for the very low income family would replace only about 30 percent of this amount.

For very low income families, it appears that, as of 1997, states tended to use child support and cash assistance as substitutes. The majority of states with high cash assistance payments had low child support orders; the majority of states with low cash assistance payments had high child support orders. With the time limits that have been imposed on welfare support, this trade-off can no longer continue. It is not yet clear whether states will modify their child support guidelines to respond when low-income women with children reach their public assistance time limits.

**The research from which this information is taken is reported in Maureen Pirog, Marilyn E. Klotz, and Katharine V. Byers, "Interstate Comparisons of Child Support Orders Using State Guidelines," *Family Relations* 47, no. 3 (1998): 289–95.**

tial differences across states and within states on whether orders are consistent with the guidelines. Yet such case-level reviews can be very helpful, indicating areas where decision makers feel the guidelines are inappropriate or the guidelines themselves are not working as intended. (See box, this page.)

The required review of the guidelines goes beyond mere usage, however. As states consider improvements to their guidelines, they will have to grapple with several issues and questions, including the following:

### What should be the standard with respect to nonresident parents who have low incomes?

This is a difficult policy question that arises in nearly every state's guideline review. Setting orders for low-income parents that are "too high" may lead them to seek to evade payments by resorting to the underground economy. Failure to pay burdensome orders may increase the likelihood of incarceration, further diminishing the prospects for increasing economic transfers to the child and raising questions about fairness. Stringent enforcement efforts may also alienate the nonresident parent from the child. Yet orders that are "too low" may deprive children of support.

Currently, the Melson formula exempts the nonresident parent from paying child support if his or her own income is not sufficient to meet a self-support reserve. The percentage-of-obligor-income model could be adapted to allow an alternative treatment of obligors with very low incomes, but to do so would run counter to the frequently heard argument that all parents, regardless of income, should contribute

something toward the support of their children.[19] Some states adjust the income-shares model so that the percentage paid by low-income nonresident parents is lower than that of middle-income parents.

### Child support and changing family composition

An estimated 75 percent of divorced persons remarry, and many of them go on to have children.[20] Cases involving serial family development are the norm, not the exception. States have adopted a variety of "fixes" to the continuity-of-expenditure model to deal with merged families, new children, and new wage-earning adults. However, it is possible that a model based on continuity of expenditure by the biological parents up to the child's eighteenth birthday is not fundamentally attuned to the needs of the changing American family.[21]

Are there circumstances under which stepparents would ever incur an obligation? If so, how is their income to be allocated? Should the stepparent's responsibility to provide for the resident parent of his or her stepchildren affect the child support owed to the resident parent? Should the legal responsibility for support of children shift from the biological parents, who were traditionally also the parents with whom the child lived, to the adults with whom the child now lives, regardless of their biological relationship?

The ELS standard, although it does not envisage such a radical change in the legal responsibility, does propose that the income of second or additional spouses be used in calculating the standard of living of both or all households, to assure that the children share the parents' standard of living. Other standards fairly strictly embody the existing legal notion that financial responsibility for the child adheres only to the biological or adoptive parents with legal responsibility. A few states acknowledge that the income of a new spouse or partner may sometimes be relevant in calculating child support.

### Child support and the connection of nonresident parents to their children

Although courts have long maintained that child support and visitation are independent obligations, one avenue of connection is through the guidelines. Most states incorporate some form of reduced financial obligation in exchange for increased visitation or placement, on the grounds that some of the costs move with the child.

Some researchers have found, however, that the traditional visitation assumptions built into existing guidelines are not accurate; for almost half of children whose parents do not live together, the nonresident parent never or almost never sees the child, and among those who do, there are few overnight stays.[22] States may wish to consider whether they should eliminate the visitation assumption (as California has done) or provide a means for amending child support when visitation does not occur.

### Accounting for large expenditures such as extraordinary medical costs and child care

States have adopted a variety of strategies to deal with the health needs of the child. Both the marginal costs of expanding medical insurance to cover the child and ordinary health costs are frequently included in the calculation of "regular" child support, through a variety of schemes to allocate the costs between parents. Particularly for parents with lower incomes, the rising costs of health insurance and ordinary health expenditures may mean that payments to health insurers and ordinary health providers become the largest component of child support, reducing the cash available for other necessary expenditures. This problem is exacerbated if the child also requires extraordinary medical expenditures.

Many states limit the amount of child care that will be included in the calculation of child support to that which is needed for the resident parent to remain employed, excluding child care costs associated with other parental activities such as job training or job search. Some states allocate the child care costs between the parents in proportion to their income. Others, acknowledging that child care permits resident parents to increase their income, allocate most of the costs to the resident parent.

## Need for additional research

Following upon this review, we suggest two areas in which research could be helpful to policymakers.

First, if the guiding principle is to be the continuity-of-expenditure model, then it is critical to have a good estimate of the amount that would have been spent on the child had the family remained intact.

It is difficult to separate expenditures on children from expenditures for adults. Over 90 percent of family expenditures are made either on shared goods which benefit all householders or on privately consumed goods that are not easily attributable to any one individual.[23] To address this concern, most of the current estimates for expenditures on children use indirect economic modeling. But even if one accepts this framework, there are questions about the accuracy and currency of expenditure data, particularly for some types of families, and about whether the method appropriately identifies expenditures for *children*. Perhaps as a result, there is a wide range of published estimates.[24]

There are also important ancillary questions. For example, should economic data on the expenditures on children in two-parent households be adjusted in some way before being applied to one-parent families? Even more broadly, could the current economic approach be usefully supplemented with alternative approaches? Researchers in the United Kingdom, for example, have explored using qualitative methods to directly estimate expenditures on children;

perhaps this type of methodology could be adapted in the United States.[25]

Second, we are aware of very little research that systematically compares the results of different types of guidelines in different states. Such research could ask: Are different types associated with higher levels of implementation? Do different types result in higher orders or in higher payments? Are some types easier to update as circumstances or incomes change? Do different models create unacceptable work disincentives for one or the other parent? Do some types of models seem fairer to nonresident parents, to resident parents, or to children?

Finally, we emphasize that although policy needs to promote fair and adequate child support orders, the ultimate goal is child well-being. An evaluation of the effects of child support on child well-being needs to include not only how much money is ordered and actually paid, but also how that money affects children, and how the relationship between the nonresident parent and the child is affected by child support. ■

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[1]For an insightful discussion of the early antecedents of modern child support, see J. Carbone, "Child Support Comes of Age: An Introduction to the Law of Child Support," in *Child Support: The Next Frontier*, ed. J. Oldham and M. Melli (Ann Arbor: University of Michigan Press, forthcoming, 2000).

[2]I. Garfinkel and M. Melli, "The Use of Normative Standards in Family Law Decisions: Developing Mathematical Standards for Child Support," *Family Law Quarterly* 24, no. 2 (1990): 157–78.

[3]Carbone, "Child Support Comes of Age," p. 6.

[4]See J. Lieberman, *Child Support in America: Practical Advice for Negotiating—and Collecting—a Fair Settlement* (New Haven: Yale University Press, 1986), p. 12; A. Nichols-Casebolt, I. Garfinkel, and P. Wong, "Reforming Wisconsin's Child Support System," in *State Policy Choices: The Wisconsin Experience*, ed. S. Danziger and J. Witte (Madison, WI: University of Wisconsin Press, 1988), pp. 176–77.

[5]J. Venohr and R. Williams, "The Implementation and Periodic Review of State Child Support Guidelines," *Family Law Quarterly* 33, no. 1 (1999): 8.

[6]R. Williams,"An Overview of Child Support Guidelines in the United States," *Child Support Guidelines: The Next Generation*, U.S. Department of Health and Human Services, Washington, DC, 1994, p. 1.

[7]We are indebted to Marsha Garrison for the descriptive term, "continuity of expenditures." See, for example, Garrison, "Child Support Policy: Guidelines and Goals," *Family Law Quarterly* 33, no. 1 (Spring 1999):157–89.

[8]States have relied primarily on two estimates of child-rearing expenditures: T. Espenshade, *Investing in Children: New Estimates of Parental Expenditures* (Washington, DC: Urban Institute,1984) and D. Betson, *Alternative Estimates of the Cost of Children from the 1980–86 Consumer Expenditure Survey*, IRP Special Report 51, University of Wisconsin–Madison, 1990.

[9]Garfinkel and Melli, "The Use of Normative Standards."

[10]The latter two issues are addressed in other articles in this *Focus*. See, for example, articles by Bartfeld and Meyer and by Bartfeld and Sandefur.

[11]See, for example, M. Pirog-Good and P. Brown, "Accuracy and Ambiguity in the Application of State Child Support Guidelines," *Family Relations* 45, no. 1 (1996): 3–10.

[12]D. Meyer and M.-C. Hu, "To What Extent Is the Percentage-of-Income Guideline Used to Set Child Support Orders in Wisconsin?" Final Report to the Wisconsin Department of Health and Social Services, October 1996; and the article by Sorenson and Zibman in this *Focus*.

[13]I. Garfinkel, *Assuring Child Support: An Extension of Social Security* (New York: Russell Sage Foundation, 1992), p. 134; Espenshade, *Investing in Children*.

[14]M. Garrison, "The Goals and Limits of Child Support Policy," in *Child Support: The Next Frontier*, ed. J. Oldham and M. Melli (Ann Arbor: University of Michigan Press, forthcoming, 2000).

[15]S. Bianchi, L. Subaiya, and J. Kahn, "The Gender Gap in the Economic Well-Being of Nonresident Fathers and Custodial Mothers," *Demography* 36, no. 2 (May, 1999): 195–203; J. Bartfeld, "Child Support and the Post-Divorce Economic Well-Being of Mothers, Fathers and Children," *Demography* 37 (May 2000), forthcoming.

[16]J. Cassetty, G. Sprinkle, R. White and W. Douglass, "The ELS (Equal Living Standards) Model for Child Support Awards," *Essentials of Child Support Guidelines Development: Economic Issues and Policy Considerations*, Proceedings of the Women's Legal Defense Fund's National Conference on the Development of Child Support Guidelines, Queenstown, Maryland, September 1986.

[17]CSR, Incorporated with American Bar Association, *Evaluation of Child Support Guidelines*, March 29, 1996 esp. Vol. 2, p. ES-2.

[18]In Wisconsin an early, more comprehensive case-level review used data collected from courthouses by the Institute for Research on Poverty. The latest of these inquiries, using data from the early 1990s, found that about three-quarters of cases that should have used the basic guidelines had orders that were consistent with the guidelines. Wisconsin's more recent attempts have tried to use the state's child support management information system, KIDS, which has proved unsatisfactory for the purpose. See Meyer and Hu, "To What Extent is the Percentage-of-Income Guideline Used?"; L. Rothe, M.-C. Hu, and L. Wimer, "Use of Wisconsin's Child Support Guidelines in Paternity and Serial Obligor Cases," Report to the Wisconsin Department of Workforce Development, 1999. The CSR study (note 17) also identified case documentation problems in many other states significant enough to undermine the accuracy of individual case reviews.

[19]Garfinkel, *Assuring Child Support*, p. 134. This principle is incorporated into the newly proposed child support system in the United Kingdom (see the article by Bradshaw and Skinner, in this *Focus*).

[20]T. Espenshade, "Marriage Trends in America: Estimates, Implications, and Underlying Causes," *Population and Development Review* 11 (1985): 193–245.

[21]Changes in American family structure, as they affect children, are explored in the article by Bumpass and Lu in this *Focus*.

[22]F. Furstenberg, Jr., and A. Cherlin, *Divided Families: What Happens to Children When Parents Part* (Cambridge, MA: Harvard University Press, 1991), pp. 35–36. See also the article by Seltzer in this *Focus*.

[23]Betson, *Alternative Estimates of the Cost of Children*.

[24]See, for example, B. Barnow, "Economic Studies of Expenditures on Children and Their Relationship to Child Support Guidelines," in *Child Support Guidelines: The Next Generation*, ed. M. Haynes, U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement, April 1994.

[25]S. Middleton, K. Ashworth, and I. Braithwaite, *Small Fortunes: Spending on Children, Childhood Poverty and Parental Sacrifice* (York: Joseph Rowntree Foundation, 1998[?]).

# Child support disregard and pass-through policies

Judith Cassetty, Maria Cancian, and Daniel R. Meyer

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Throughout the 25-year history of the federal Title IV-D Child Support Enforcement (CSE) Program, federal and state officials have faced a challenging task in gaining the cooperation of public assistance applicants and recipients in determining paternity and collecting support due.[1] Congress and officials charged with responsibility for administering the CSE Program have approached this issue with a wide variety of strategies. Beginning in the late 1980s, states took advantage of federal waivers to make many changes in state policy and practices with reference to applicants and recipients of Aid to Families with Dependent Children (AFDC), their children, and the nonresident fathers of these children. These approaches included both "carrots" and "sticks." Some practices sought to provide inducements for cooperation, others to impose sanctions, usually by denying AFDC benefits for varying periods of time if the resident parent could not show "good cause" for failure to cooperate.

## Disregard policies: Incentives to cooperate with the child support enforcement system

Among the most common type of inducement explored under federal waivers has been the child support "disregard," whereby agencies do not take into account all or a portion of a child support payment in determining eligibility for welfare or setting the level of a grant. (Any amount of monthly child support above the disregard, up to the level of welfare support, is divided between the state and the federal government, in proportion to each government's share of the cost of supporting the family through the AFDC program.) Disregards have enjoyed nearly continuous representation in federal policy and state practice since 1974. Throughout, their use has been supported by three core rationales, which have been endorsed at various times by both Congress and state legislatures:

- Welfare recipients (increasingly unmarried women) would be more inclined to cooperate with publicly supported efforts to identify and pursue the fathers of their children if there were some economic incentive to do so.
- The fathers of children in public assistance households, thought to have similarly low incomes, would be more inclined to pay child support if there were actually an economic advantage to their children in so doing.
- It is, quite simply, the "right" thing to do. That is, all children and their caretakers *should* benefit from fathers' contributions, irrespective of their welfare status, and fathers have a right to see that the economic well-being of their children is actually enhanced as a consequence of their support payments.

Compelled largely by the intrinsic intuitive logic of these arguments, early federal Title IV-D legislation required all states to disregard $50 of every month's child support collection in determining the amount of that month's AFDC grant.[2] This feature of the CSE Program continued for about 20 years, until the welfare reform legislation of 1996, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). Thus, for resident-parent families receiving child support and AFDC, the net amount of cash available to the family was $50 greater than it would otherwise have been. And a nonresident parent who made a child support payment in any given month knew that the cash available to his child's family unit would be increased by up to $50.[3] Although the $50 "cap" may have limited the power of the disregard, it still provided a positive incentive to each parent to cooperate in establishing paternity and collecting child support.

The federal $50 disregard regulations were, however, challenged in court, for other reasons. Legal Aid, Inc., representing a class of AFDC families in which there were children with different fathers in a single AFDC household, sued the federal government in at least three states to abandon the practice of allowing the disregard to apply to the AFDC grant only *once per household*, as opposed to *once per paying father*. The claim that it denied equal treatment to the "second" father/child pair did not succeed in overturning the federal law.[4]

Despite the legal challenges and its potentially limited incentive effect, the disregard policy *did* provide for a continuous "incentive stream" over time. During these early years of the IV-D Program, courts often ordered that child support be paid in weekly amounts, especially in the case of low-income fathers, and amounts were frequently as low as $10 or $20 per week. Payments usually went directly to recipients or through local courts' manual systems. The accounting challenge of tracking and disregarding these payments proved quite burdensome to the administrators of these young state

IV-D programs. With later federal mandates and generous funding to develop and implement electronic case management and accounting systems, accommodating a child support disregard eventually became less onerous.

With PRWORA, the federal Office of Child Support Enforcement abandoned this disregard requirement and allowed states to establish their own disregard policies and practices, under some fiscal conditions which limit both federal and state costs. Approximately two-thirds of the states eliminated their disregards altogether. Some retained the $50 amount and a few increased the disregard, mostly under experimental designs. (See Figure 1.)

## Pass-through policies: Incentives to self-sufficiency

In addition to providing economic incentives to the parents of children who received AFDC, federal policy changes over the decades also reflected the recognition that it was important for mothers to understand that they were the beneficiaries of successful child support enforcement services. The 1984 Amendments to the federal Child Support Enforcement Act, by far the most extensive since the inception of the CSE program ten years earlier, contained a requirement that states notify AFDC recipients at least yearly of the amount of child support collected on behalf of children in their households. These amendments also included sweeping mandates for providing "equal" levels and types of enforcement services to non-AFDC households, state adoption and application of specific guidelines for payment levels, and an extension of Medicaid benefits for four months after the collection of child support resulted in termination of AFDC. Viewed together, these policies were designed to encourage a view that regular and predictable amounts of child support payments, when combined with the resident parent's own earnings, could enable AFDC recipients to escape dependence upon public assistance. Some part of that goal would be accomplished by convincing families that the state would continue its enforcement and collection efforts on their behalf after they no longer needed AFDC.

With passage of the 1984 Amendments, most states began to issue two checks to AFDC recipients: one for the amount of assistance, ignoring any child support offset, the other for the child support collected during the accounting month, up to the $50 limit. This practice of "passing through" all or part of a child support collection *as a separate check* had been adopted by some states prior to the 1984 Amendments. Sometimes the pass-through amount was equivalent to a "flat" amount that was disregarded and sometimes it was equivalent to the entire amount of child support collected for the month.[5]

A few states disregarded all child support paid when the AFDC grant maximums fell below the state's official Needs Standard. In these states, the total of AFDC and child support, including the federally mandated $50 disregard, could vary substantially from month to month.

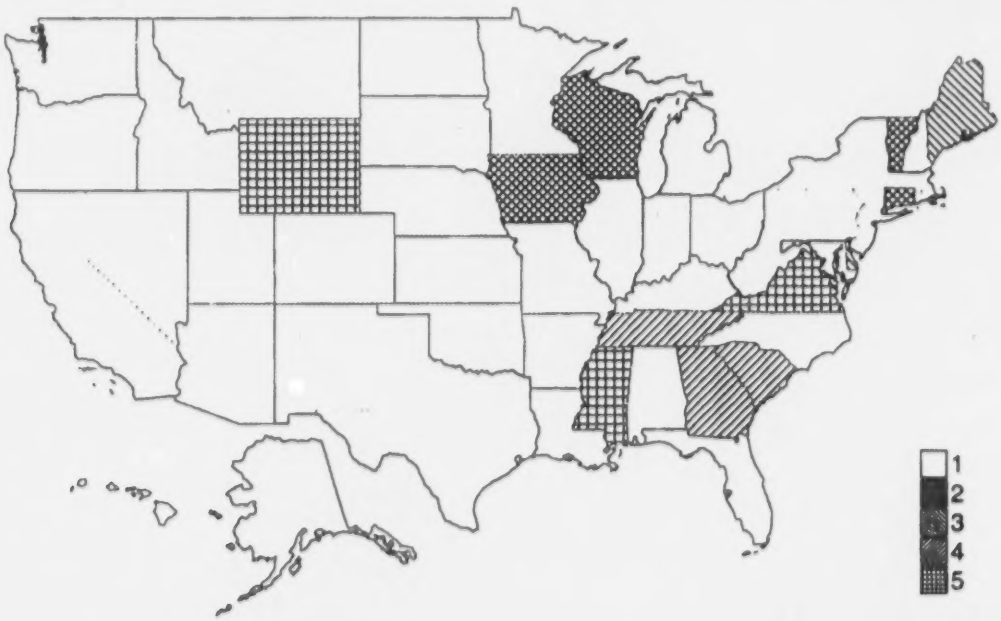


**Figure 1. Disregard and fill-the-gap practices among the states, 1990-present.** States that are blank abolished the $50 disregard after PRWORA. 1. States that retained $50 disregard after PRWORA. 2. States with contemporary disregard experiments. 3. States that have $50 disregard plus fill-the-gap practices. 4. States that have fill-the-gap practices only. 5. States that had fill-the-gap practices until the early 1990s.



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These states are often referred to as "fill-the-gap" states, because their practices amounted to disregarding (and usually passing through) whatever amount of child support "filled the gap" between the maximum AFDC grant and the Needs Standard. Five states have continued these practices up to the present.

Thus, in federal and state policy, two related practices came to be associated with the notion of using child support payments to pursue larger administrative objectives: the concept of the disregard was used to foster cooperation with paternity and child support enforcement efforts, in order to reduce the public costs of AFDC; and the concept of the pass-through was viewed as helpful in fostering a cognitive link in AFDC recipients' minds between their cooperation and the promise of eventual self-sufficiency. In addition, in the minds of some state officials, disregards were also a useful tool for promoting economic justice.

But although a variety of such policies have been designed and applied over the past 25 years, there has been limited empirical testing of the beliefs which have undergirded them. Now, in a new political environment in which states can set their own policies, understanding the effects of these policies has become more critical. Some policymakers are convinced that disregards *do* create incentives to cooperate and that pass-throughs lead to greater efforts at self-support. They are, however, uncertain about the magnitude of such effects and the size of the disregard and pass-through amounts that are necessary to elicit the incentive effects. Still others are unconvinced that the incentives associated with disregards, if they exist at all, are of sufficient economic value to offset the cost of providing them. Some state legislatures lost no time changing their policies to eliminate the $50 disregard in 1996, when the federal mandate was repealed.

To date, there is no empirical evidence about these beliefs, one way or another. Evaluations of alternative disregard and pass-through policies implemented under federal waivers have not focused on their behavioral effects. The central empirical questions relate, first, to the extent to which the child support disregard, as it has been variously practiced, has contributed to parental cooperation with state efforts to determine legal paternity and enforce the payment of child support. A secondary question, perhaps, is the extent to which pass-through practices have bolstered welfare recipients' grasp of the *connection* between their cooperation and the promise of independence from public assistance and, in turn, whether this cognitive connection has led to behaviors that have fostered such independence.

Several research initiatives underway at IRP are examining these empirical questions. Among them are two longitudinal analyses of the effects of child support disregards on parents' cooperation with paternity and child support enforcement efforts.[6] Another project is examining the extent to which welfare recipients and the fathers of their children understand the financial consequences of child support payments for their families' welfare benefits and eligibility status. These projects promise to have implications for future policy decisions by states which are now grappling with the long-term financing of their Child Support Enforcement programs. ■

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[1]This article is adapted from J. Cassetty, M. Cancian, and D. Meyer, "Child Support Pass-Through and Disregard Policies: Variation over Time and States," a preliminary report to the Wisconsin Department of Workforce Development, December 31, 1999. The views expressed are those of the authors.

[2]It seems clear that some form of disregard was intended as a permanent feature of the interface between welfare and child support enforcement from the beginning of the IV-D Program and was uninterrupted throughout its entire history, up to PRWORA. Federal provisions prior to FFY 1977 contained a form of disregard referred to as the "$20 bounty" that was in effect for only 15 months. Federal law replacing the $20 bounty with the $50 disregard took effect in FFY 1977 (42 USCA § 657). Legislation in 1984 made the disregard a "permanent" feature of the AFDC benefit.

[3]For convenience, we refer to the resident parent as the mother, since this is most commonly the case, especially in public assistance households.

[4]Legal Aid organizations prosecuted these cases in federal courts in Maine (Swendeman v. Ives, [D.Me, 1990] 750 Fed. Supp.17), Georgia, and Pennsylvania. At the request of the Legal Aid organizations in Pennsylvania and Georgia, Dr. Cassetty offered expert testimony in the federal courts in these states.

[5]This latter practice was especially prevalent in states where county-run CSE programs predated the establishment of the IV-D Program. Customarily, the amount of the child support payment was simply manually recorded for the court record and the original check or money order was passed on to the resident parent, along with an accounting to the state IV-A office.

[6]These national studies rely on IV-D and IV-A state administrative data and CPS data.

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# The welfarization of family law: The case of child support

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There exist in the United States two distinct bodies of family law—one for families receiving public assistance and another for families in the rest of society.[1] In these two regimes, vastly different legal rules govern family matters. Under what I term the "family law of welfare," poor families are subject to privacy-invading, cost-conscious welfare rules designed to regulate family life.[2] These rules do not apply to families not receiving welfare; their relationships are governed by family law principles of general application.

For many years, a relatively solid wall separated general family law from the family law of welfare. But with the wave of welfare reform that began in the late 1980s, the family law of welfare has begun to penetrate and shape general family law in its image. The "welfarized" family law that results embodies the dominant orthodoxy of welfare reform—that public spending gives the government greater license to intrude into intimate areas of family life.

In this article I examine the dual nature of family law and explore the influence of welfare law on an area of general family law in which it has become particularly salient—child support law.

## Duality in family law

Although family law and welfare law are often thought of as distinct entities, they are both in the business of regulating families. The core domain of family law encompasses all manner of governmental regulations of the family unit and its members: the treatment of unmarried couples and their children, the entry into marriage and the termination of it, reproductive decision making, adoption, child custody and support, domestic violence, and child welfare. Traditionally, family law has been primarily state-based statutory and decisional law, but it has evolved to include federal statutory and constitutional law.

Welfare law consists of the multifaceted statutes, regulations, and administrative agency decisions that address cash assistance programs such as Aid to Families with Dependent Children (AFDC) and its successor, Temporary Assistance for Needy Families (TANF), and their state counterparts. Welfare law does not consist simply of rules governing eligibility criteria, benefit levels, and the operation of the state welfare bureaucracy. Like the rules of family law, it seeks to regulate family behavior.

In the United States, the belief that families should provide for themselves is especially deep-rooted, and public aid to the poor has always been regarded with ambivalence. In welfare policy and discourse, a distinction is often made between the deserving poor, the victims of circumstances beyond their control, and the undeserving poor, who could work but do not. Resistance to aiding the undeserving poor has created a central paradox in welfare policymaking: how to help the blameless poor, especially children, while not undermining the work ethic of those whose poverty is "their own fault"—often the parents of those children.

Furthermore, the negative traits perceived in adults in welfare-dependent families—characterized as dependence, out-of-wedlock childbearing, and lack of work—are often assumed to become a normal and largely acceptable way of life to the children also, creating a "cycle of dependency." To break this cycle, welfare policy turns its attention to family matters. Public assistance is made contingent upon legal regulation of the marital, childbearing, and parental behavior of recipients.

The emphasis in welfare law on regulating family behavior is explicit in the first three findings of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996:

> (1) Marriage is the foundation of a successful society. (2) Marriage is an essential institution of a successful society which promotes the interests of children. (3) Promotion of responsible fatherhood and motherhood is integral to successful child rearing and the well-being of children.[3]

Among its stated goals, the act includes preventing nonmarital births and promoting the formation and maintenance of two-parent families. It encourages states to implement measures to compel women seeking welfare to conform to prescribed marital, childbearing, and parenting norms. Among these measures are family caps, individual responsibility agreements, strict rules regarding work, and the requirement that women cooperate with the government in securing financial support from the absent fathers of their children.

The interest in prescribing family behavior embodied in the Personal Responsibility Act is by no means new.

Indeed, the welfare regulation of family life reached a peak in the 1960s. At that time, as Jacobus tenBroek described for California, there also existed two distinct bodies of law, with a "wall of separation" between them.[4] Completely different rules governed family matters, including the creation and termination of marital, support, and property relations of husband and wife, and the support obligation of parents to minor children. In civil family law, for example, only the natural parents (and primarily the father) were responsible for supporting a child. In the family law of welfare, the group responsible for supporting the child was enlarged to include "unrelated adult males living in the relation of spouse to the mother," even though these men were not otherwise legally liable for support. The income of the unrelated male was taken into account in calculating welfare benefits, whether or not he actually provided any economic support to the child. Differences between the two regimes were maintained in content, purpose, legislation, administration, and enforcement of the rules. The conditions of welfare, which included midnight raids and home searches, were often punitive, moralistic, and politically motivated, with the explicit goal of limiting access to welfare benefits and thus keeping costs down.

After 1965, this welfare system was largely dismantled, as the welfare rights movement and civil rights lawyers challenged its invasions of the due process rights of recipients. By the late 1960s, these rights had received judicial recognition, welfare had become an entitlement program, and a uniform means test had been implemented. From 1972 to 1988, the AFDC program focused on "verifying eligibility and writing checks,"and government no longer sought to influence recipients' behavior.[5]

But the AFDC rolls—and expenditures—continued to rise, particularly as the recession of 1990–92 took hold.[6] Congress and the states reacted by tightening eligibility, reducing benefits, implementing work programs, and trying to increase support from absent fathers. From the early 1980s on, moreover, single, never-married mothers constituted the largest share of the welfare caseload.[7] These women became a particular object of political and popular concern, and once again attention turned to the family life of recipients, in particular out-of-wedlock births, single parenthood, and generational dependency.

In the welfare reforms implemented by the states and the federal government beginning in the late 1980s, the paramount emphasis is on parental provision of economic support. Because employment is the only "responsible" option for poor single mothers, the Personal Responsibility Act and its state counterparts are designed to move them off welfare and into the paid labor force. Parents and other caretakers must engage in work activities, as defined by the state; states may terminate benefits to a family if it fails to comply. In many states, mothers seeking welfare are also required to sign individual responsibility plans that set forth family-life obligations. The Personal Responsibility Plan used in Georgia, for example, requires recipients to attend parent-teacher conferences, participate in parenting skills classes, ensure that minor children attend school, and attend family planning counseling, or face penalties.

By contrast, there is no governmental policy or set of regulations governing working parenthood for the general population. In the raging debate about whether or not mothers should work outside the home, the state has remained neutral. Nonwelfare families are free to decide for themselves how to handle the often difficult balance between work and parenting. The state does not mandate parenting classes, nor dictate the grades that one's children are expected to maintain, as some individual responsibility plans do for welfare recipients. Welfare status alone permits the state to interpose behavioral expectations upon parents.

Thus the dual system of family law that largely disappeared in the 1960s has reemerged. Poor single mothers are once again subject to differential treatment, most notably in the areas of childbearing and child rearing.

## The welfarization of child support law

As the two systems of family law have been rebuilt over the last decade, so the wall between them has begun to crumble. Welfare policy is exerting a powerful influence not only on the family law of welfare but also on general family law.

Welfarization has been particularly direct and intense in the area of child support law.[8]

There are no easy answers to the poverty of female-headed families, but one contributing factor is certainly the failure of nonresident fathers to support their children financially. A principal theme in the recent welfare reform debate has been the need to strengthen child support collections to enable low-income mothers to move off—and stay off—public assistance.

Current reformers are not the first to see a link between welfare receipt and child support. In the 1960s, concerned that the economic need of many welfare families resulted from the voluntary absence, rather than the death, of the noncustodial parent, Congress began to view these fathers as a potential resource that could, if tapped, lower AFDC expenditures. Hence the landmark Child Support Act of 1974, which added Title IV-D to the Social Security Act (see table, p. 3). Since that time, Congress has consistently sought reimbursement for welfare expenditures from nonresident fathers who fail to pay support.

Because of its intent, the original federal child support program was limited to families receiving AFDC. But the issue of child support enforcement extends beyond wel-

fare families to encompass nearly all single-parent families regardless of economic status. Thus in 1984 Congress expanded the program to include all families eligible for child support, whether or not they were on welfare. The federal child support system became an umbrella program that currently includes about 60 percent of all child support cases in the United States. Piecemeal amendments in the 1980s and 1990s increased requirements at virtually every stage of enforcement—the establishment of paternity, the entry of support orders, and the enforcement of existing orders.

Improvements in enforcement remained modest, and collections insufficient to accomplish the goals of the legislation. In 1988, Congress created the U.S. Commission on Child Support to study the system. The Commission's report, issued in 1992, called for far-reaching changes in state systems and in the interstate establishment and enforcement of support orders. The report was influential in the development of the child support provisions in the Personal Responsibility Act.[9] Although nearly every other area of the act was hotly debated, these provisions garnered widespread bipartisan support.

The Personal Responsibility Act radically transformed child support enforcement for welfare and nonwelfare families alike. The act promoted centralization, automation, uniformity, and the use of administrative procedures (in lieu of the courts) in child support enforcement. Key elements of the new law included: (1) expanded and simplified paternity-establishment procedures; (2) enhanced access to information and mass data collection; and (3) administrative enforcement remedies. With these measures, the family law applicable to welfare-reliant families moved away from the judicially centered, laborious process of case-by-case analysis toward a new system that relies on computerization and mass case processing, designed to ensure that child support payments are "automatic and inescapable."[10]

**Paternity establishment**

The expanded services mandated by the act are applicable to all extramarital children, whether or not individual family circumstances counsel against paternity establishment. Voluntary acknowledgment services and procedures are expanded both in the hospital and at other sites. The process is streamlined by compelling states to abandon adjudicative procedures and rely solely on administrative processes. Before parents sign an acknowledgment of paternity, the state must give them notice of the legal significance of the document. Thereafter, states must treat a signed acknowledgment by the father as a legal finding of paternity in 60 days, unless challenged. In contested cases, the adjudication process is also simplified and the right to jury trial eliminated.

The law also placed increased pressure on states to improve the rate of paternity establishment, requiring annual, incremental improvements in the percentage of nonmarital children for whom paternity is established until the state reaches the federally mandated goal of 90 percent in the IV-D caseload *or statewide*. The 90 percent figure will be very difficult for most states to attain. To meet the standard and avoid a federal penalty, some states will surely determine that it would be more advantageous to direct paternity establishment efforts at the entire state population rather than limit them solely to the welfare recipients that form part of the IV-D caseload.[11]

Except for mothers on welfare, states previously had very little interest in establishing the paternity of nonmarital children, which was left to the discretion of the parents. The intensified effort to establish paternity for *all* children born to unmarried women was motivated, not by the belief that children deserve to know who their fathers are, or that child support might lead to a more secure bond between children and their nonresident parents, but by the states' fiscal concerns.[12] States want to establish paternity for families that have not yet slipped onto the welfare rolls but are, statistically, at risk of doing so. If those families go on welfare at some later date, early paternity establishment will identify the father and enable the state to pursue support without delay.

Because this dominant purpose guides the legislation, it forecloses any investigation into whether states really ought to seek to establish the paternity of all children born to unmarried women. Families might be helped; they might be hurt. The point is not whether broadscale paternity establishment is either good or bad. It is, rather, that the legislation has emerged from welfare law rather than from the state's reasoned judgment that such legislation is appropriate family policy. It is a dramatic example of the welfarization of family law.

**Privacy interests in a regime of mass data collection**

The Personal Responsibility Act also expanded access to and exchange of information by child support enforcement agencies. The framers of the act believed that the performance of the state IV-D agencies would improve if they had greater access to information concerning absent parents and their incomes and assets, without the need for an order from a judicial or administrative tribunal. In the public sector, state and local agencies were required to provide child support agencies with access to tax and revenue records, records relating to unemployment and workers' compensation, public assistance records, vital statistics records, corrections and motor vehicle records, and licensing, business ownership, and property records. In the private sector, child support agencies are entitled to employment information and to public utility, cable television, and certain bank records.

The act also mandated the creation of interconnected, computerized state and national databases: central registries of child support cases, centralized child support

collection and disbursement units, paternity databases, and new hire directories. The new hire directory is the centerpiece of these mass data collection practices. Under the law, all employers are required to report newly hired employees to a state agency within 20 days of hire. The state new hire data are sent to a National Directory of New Hires that will allow agencies more easily to track employed parents, particularly those that cross state lines to avoid their child support obligations.

What, then, is the threat to personal privacy? Accumulating numerous, unrelated records about an individual in a single source such as these databases creates a detailed individual profile, yet the act incorporated very few safeguards against the misuse of such data and, indeed, permits broad information sharing, such as the requirement that the state case registries exchange information with "other agencies of the State, agencies of other States, and interstate information networks, as necessary and appropriate" to carry out child support collection efforts. Thus legitimate privacy concerns are subordinated to the overriding goal of reducing welfare costs. This practice is made all the easier because the privacy interests at stake belong to men stigmatized as "deadbeat dads."

### The demonization of absent fathers

The premise underlying the creation of the IV-D system was that absent, nonsupporting fathers were the principal agents of increased welfare costs, and the state ought to collect child support from them to recoup its outlay. To drive home the culpability of these fathers, they were characterized as "deadbeats." Politicians of all stripes have since taken up a moral crusade against nonsupporting fathers, condemning their immorality and selfishness.[13]

This stigmatizing, negative image has had an impact on child support legislation. Widespread support for cracking down on deadbeat dads has resulted in child support reforms that are decidedly more punitive in nature. The public perception that all nonsupporting fathers are "deadbeats" who could pay child support but choose not to is rarely challenged by the competing reality that some of these men are "turnips," fathers who cannot afford to pay child support because they are young, unskilled, and only intermittently employed.[14] Public debate has focused on fathers' culpability rather than wrestle with the diverse views of custodial mothers toward child support (see the article by Waller and Plotnick, in this *Focus*).[15] Little attention is paid to less popular arguments, such as those advanced in favor of recognizing public responsibility for impoverished children.[16]

## Duality and welfarization in child support law

The patterns of duality in family law that were largely abandoned after 1965 have thus been resumed, with fervor, and a set of rules is applied to families on welfare that is distinct from the standard law that governs the rest of society. Even though the federal child support enforcement program extends its services to welfare and nonwelfare families alike, it treats TANF and non-TANF families differently.

First and foremost, under the 1975 amendments to the Social Security Act, welfare families are *required* to seek support through the state IV-D child support offices. As a condition of receiving cash benefits, families must assign their right to collect support to the state, and the state bureaucracy in turn pursues child support from nonresident parents.

For families not on welfare, the child support system is entirely voluntary. They can decide whether or not to pursue child support, in light of their own unique circumstances and preferences. Many custodial mothers, indeed, do not seek a formal award, for reasons ranging from an existing good relationship between the parents to fear of violence or countersuits for custody. The particular ground for the decision is less significant than is the fact that the mother who is not on welfare is able to decide this question without the state's intrusion.

Welfare parents, in contrast, are not permitted to balance the possible monetary benefit of cash child support payments against the potential harm from initiating child support proceedings against the nonresident father. They cannot avoid the IV-D system through a voluntary agreement, ahead of time, that the nonresident parent will pay no support, or will provide cash and services in lieu of a formal order. The state's fiscal interest in obtaining cash reimbursement for welfare benefits paid the family is paramount.

Second, the two child support systems differ in how they treat welfare and nonwelfare families that use IV-D services. Mothers receiving welfare assistance are subject to cooperation requirements. They must cooperate in good faith with the state's efforts to establish the paternity (if necessary) of nonmarital children and to collect support unless they can establish "good cause" for not cooperating.[17] The mother must provide not only the name and other identifying information about the absent father but also information concerning his whereabouts and employment. Parents must appear at interviews, hearings, and legal proceedings relating to child support and submit to genetic tests when paternity is at issue. A mother who fails to cooperate will be sanctioned. Mothers not receiving TANF are spared compulsory state intrusion into private matters and are not sanctioned for failure to cooperate.

Finally, the distribution of child support is determined by a family's welfare status. If the family is not receiving government benefits, any support collected on behalf of a child through the efforts of the state IV-D office is transferred to the custodial parent. Consistent with the ratio-

nale underlying child support obligations, payments made by the absent father provide the child with an economic benefit. For TANF families, however, two-thirds of the states now retain all the support paid as reimbursement for welfare benefits.[18] The funds benefit only the state, not the child.

At the same time, a new phenomenon—welfarization—has also come into being, extending the principles of welfare law beyond the families on the welfare caseload. This suggests that welfare policy will play a significant role in issues of family law when welfare reformers take the regulatory lead, especially if welfare law conflicts with general family law.

Although they are distinct phenomena, duality and welfarization are compatible and continuous. Duality exists because greater governmental intrusion is tolerated, and starts in the most disfavored population. The image of the family at risk because of poverty or single parenthood is used to justify extensive regulation of individuals within families. Although that image is sharpest among the welfare-reliant, it includes increasing numbers of the rest of the population, as government regulations formerly reserved for welfare families reach further into the lives of all families. Duality thus coincides with and contributes to welfarization. ■

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[1]This article is drawn from a much longer article, appearing as "The Welfarization of Family Law" in the *Kansas Law Review* 48 (Winter 2000). IRP is grateful to the *Review* for permission to make use of the article in *Focus*.

[2]In this article, I use the term "welfare" in its commonly accepted meaning of cash assistance, as embodied in such programs as Aid to Families with Dependent Children (AFDC) and Temporary Assistance for Needy Families (TANF), and excluding many other federal and state social welfare programs that provide aid in cash, goods, or services to families and individuals.

[3]See *Congressional Record*, House of Representatives, July 30, 1996, p. H8331.

[4]J. tenBroek,"California's Dual System of Family Law: Its Origin, Development, and Present Status," *Stanford Law Review* 17 (1965): 614.

[5]M. Bane and D. Ellwood, *Welfare Realities: From Rhetoric to Reform* (Cambridge, MA: Harvard University Press, 1994), pp. 15–16.

[6]In 1970, 6.6 percent, in 1980, 11.5 percent, and in 1990 12.3 percent of U.S. families with children were receiving AFDC. Benefit expenditures rose from $4,082 million in 1970 to $18,539 million in 1990 (but if expenditures are calculated in constant 1996 dollars, the increase from 1970 to 1990 was from about $16,800 million to $22,400 million). See U.S. House of Representatives, Committee on Ways and Means, *Green Book*, 1998, p. 402.

[7]In 1969, 43.3 percent of the AFDC caseload were eligible through the divorce or separation of the parents, 27.9 percent were children of never-married mothers. In 1989, 34 percent were eligible through divorce or separation, 52.7 percent were children of never-married mothers. *Green Book*, 1991, p. 622.

[8]In the article cited in note 1, I also consider at length the welfarization of child welfare law.

[9]The Commission's report, *Supporting Our Children: A Blueprint for Reform 1992*, was reprinted in *Family Law Quarterly* 27 (1993): 31–84.

[10]P. Legler, "The Coming Revolution in Child Support Policy: Implications of the 1996 Welfare Act," *Family Law Quarterly* 30, no. 3 (1996): 519–63, and "The Impact of Welfare Reform on the Child Support System," in *Child Support: The Next Frontier*, ed. J. Oldham and M. Melli (Ann Arbor: University of Michigan Press, forthcoming, 2000).

[11]Indeed, the primary program implemented by states—in-hospital voluntary paternity establishment programs—are administered without regard to welfare status. These programs, which encourage new fathers to acknowledge paternity at the time of the child's birth, have been very successful. The federal Office of Child Support Enforcement reported that of the 1.5 million paternities that were established in 1998, over 600,000 resulted from in-hospital voluntary paternity acknowledgments. This is a sevenfold increase over the 1994 figure of 84,000. Department of Health and Human Services, Administration for Children and Families, Temporary Assistance to Needy Families (TANF) Program, *Second Annual Report to Congress*, August 1999, p.57 and Table 6:2. The report is located on the Department's World Wide Web site at < http://www.acf.dhhs.gov/programs/opre/tanifreports/tan1995.pdf >.

[12]The Personal Responsibility Act makes only a token effort at increasing noncustodial parents' involvement in their children's lives. It includes grants designed to help states establish programs that make visitation and access easier, but the funding allotted to the programs is about $10 million for 50 states.

[13]For instance, the 1998 legislation for which the short title was "The Deadbeat Parents Punishment Act" (see table, p. 3).

[14]R. Mincy and E. Sorensen, "Deadbeats and Turnips in Child Support Reform," *Journal of Policy Analysis and Management* 17, no. 1 (1998): 44–51.

[15]Not all custodial parents eligible for child support want an award. Census data report that about one-third of custodial mothers without child support awards had chosen not to pursue them. See L. Scoon-Rogers and G. Lester, *Child Support for Custodial Mothers and Fathers: 1991*, Current Population Reports, P60-187, p. 2, Census Bureau, Washington, DC, August 1995. The report is located on the Census Bureau's World Wide Web site at < http://www.census.gov/prod/2/pop/p60/p60-187.pdf >.

[16]Child Support Assurance (CSA) programs are one example of a publicly funded program designed to improve the economic well-being of low-income children. See this *Focus*, p. 77.

[17]The Personal Responsibility Act permits "good cause" and other exceptions to the cooperation requirement in situations where an exception would be "in the best interests of the child." Current federal regulations define good cause as a case involving, among other things, physical or emotional harm to the child or caretaker. In the past, few good cause requests were made (0.3 percent of all AFDC cases) and even fewer granted (0.2 percent). These figures are particularly called into question by the reported high rate (15–30 percent) of domestic violence among welfare families. See J. Josephson, "Public Policy as If Women Mattered: Improving the Child Support System for Women on AFDC," *Women and Politics* 17 (1997): 9; J. Meier, "Domestic Violence, Character, and Social Change in the Welfare Reform Debate," *Law and Policy* 19 (1997): 105, 206.

[18]The Personal Responsibility Act repealed the requirement that states pass at least $50 of child support collected through to the custodial parent. Wisconsin alone (under W-2) passes all support collected through to the parents. Several other states substantially subsidize payments up to the state level of need, and the remaining states have retained the $50 pass-through.



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# Child support policy regimes in the United States, United Kingdom, and other countries: Similar issues, different approaches

Anne Corden and Daniel R. Meyer

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In the United States and Europe (indeed, in nearly every industrialized country), increasing numbers of children are living apart from their fathers. Divorce rates differ markedly across Europe but have everywhere risen dramatically since 1970; in general they have at least doubled, and they have more than tripled in Belgium, Greece, France, Luxembourg, the Netherlands, and Portugal. The share of births outside marriage also differs, but it too has more than tripled in many countries.[1] Among European countries the proportion of lone-parent families living in poverty varies; in all countries, those who do not have paid work are economically most vulnerable.[2] Governments that choose to provide public assistance to all economically vulnerable lone-parent families face increasing costs at a time when curtailing social expenditures is a general goal. As these governments look for ways to limit expenditures, one option is to reexamine child support (child maintenance) policies, and to consider whether fathers could be asked to provide more support and the state correspondingly less.

In 1997, the Joseph Rowntree Foundation commissioned research on child support policy in selected European countries. The research, conducted by Anne Corden and colleagues, was designed to provide perspective for the debate over child support policy in the United Kingdom, which has been widely considered a failure (see the article by Bradshaw and Skinner in this *Focus*).[3] In this article, we review the findings from that research, extending the discussion across the Atlantic by adding three U.S. states: Wisconsin, whose formula, one of the simplest, provides the median order for low-income nonresident parents, and two "outliers"—Indiana, with very high orders for such parents, and Kansas, with relatively low orders.[4]

As in most comparative work, there were challenging methodological issues. It is difficult enough to compare levels of liability across U.S. states, because each has a different guideline and a different probability of use. But it is even more complicated to compare the level of liability in actual money terms across *countries*: some issues are magnified in cross-country comparisons, and, in addition, statistics on decisions made locally are not always collated nationally. Some countries pay more attention to amounts guaranteed by and repaid to the state than to overall transfers of private monies. U.K. national statistics are presented as "average per liable parent," U.S. national administrative records as "average per case"—which is most akin to "average per resident parent"—and some European countries report "average per child." Cases without orders are also differently treated within the available statistics. Finally, international comparisons require a time period for exchange rates and an assessment of purchasing power parity.

In the Corden study, data about the child support regime in each country were provided by a network of national informants, in response to a standard questionnaire. At the same time, Corden explored a method of using vignettes to overcome the difficulties of cross-national comparison. Each national informant explained how their system would deal with the same three vignettes—three sets of parents and children, at particular income levels (we discuss two of them in this article). In effect, informants "completed the story," explaining procedures and likely outcomes in each situation, making discretionary decisions where necessary, according to their understanding of the way in which their own system worked.

There are a number of limitations to this approach: the families described in the vignettes fitted real-life situations better in some countries than others. But the method provides helpful insight into the process of determining child support, and can be used to compare outcomes of child support assessments. The method is somewhat similar to that used by Maureen Pirog and her associates to compare cross-state variation in the United States.[5]

### Vignette A

The formal support liability of an unmarried, nonresident father, with 1997 average earnings, for a 2-year-old daughter who lives with her mother is shown in Figure 1 (Vignette A). This couple have never lived together, but have a friendly relationship. The father has no other children and lives with his own parents. The mother and child live in a small apartment, and the mother has not had paid work since the birth of her child. This scenario is of key policy interest in the United Kingdom, where 70 percent of lone parents had no paid employment in 1992,

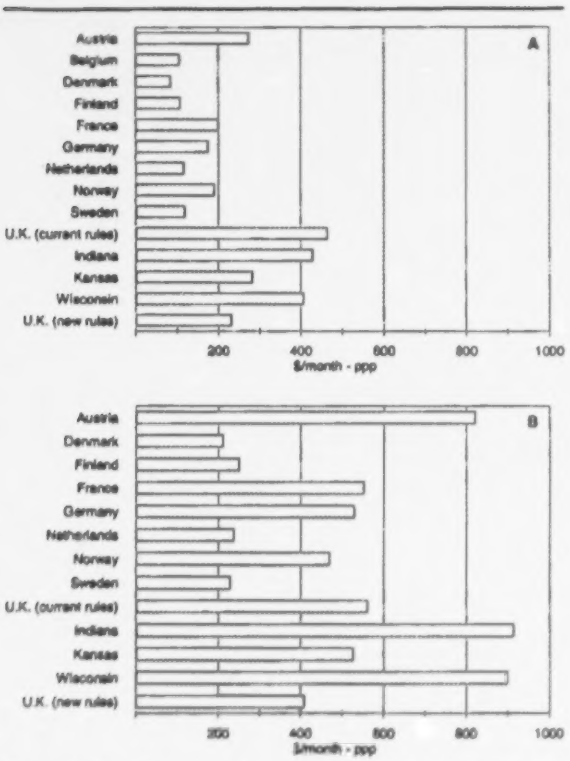


**Figure 1. Child support orders compared, 1997.** Vignette A: Unmarried parents with one daughter, 2 years old; nonresident father with average earnings. Vignette B: Divorcing parents with two children, 5 and 9 years old; nonresident father with 1.5 x average earnings; resident parent with half average part-time earnings, needing 12 hours of child care a week. (Information for Belgium not available for Vignette B.)

Note: For the German parent, we show the amount due; a lower amount would actually have to be paid if the child allowance is paid to the resident parent (explained in A. Corden, *Making Child Maintenance Regimes Work*, London: Family Policy Studies Centre, 1999).

and around one-third of nonresident fathers lived with friends or family, predominantly their own parents.[6]

The first ten bars of Figure 1A show the results from the original ten European countries. In Figure 1A the United Kingdom stands out as making a relatively high demand for child support—more than twice as much as most other European countries. In Indiana and Wisconsin, the figure is nearly as high as that of the United Kingdom. The figure for Kansas is fairly comparable to that for Austria, the highest of the continental European countries.

Under the proposed new scheme in the United Kingdom (see the article by Bradshaw and Skinner in this *Focus*), this father would be liable to pay 15 percent of his net income, which would be considerably less than the amount required under the current formula, shown in the bottom bar. Some parents will have to adjust to big differences in entitlements and liabilities as the new scheme is introduced, and it is proposed to phase in the new assessments (in annual steps of £5 per week, about U.S. $8, in the above case).

### Vignette B

Figure 1, Vignette B examines the circumstances of a nonresident father with higher income, seeking a divorce from a resident mother who has average part-time earnings and needs 12 hours of child care a week. In this case the liability of the U.K. father for support for two children of 5 and 9 years was no longer higher than several of his European counterparts. He was asked to pay about the same support as his French, German, Norwegian, and Kansas peers, and less than those in Austria, Indiana, and Wisconsin.

Any estimate of the real impact of support payments must take into account the treatment of the money transferred in the taxes and social security benefits of both parents (and the child, in some countries). Child support due is fully tax deductible in Denmark and France, and for many parents in Norway; 80 percent is tax deductible in Belgium. In all these countries, some of the support received counts as taxable income of the resident parent. In the United States, in contrast, child support paid is not deductible from taxes nor is the amount received treated as taxable income of the resident parent.

In all the European countries, child support received counts as income in the assessment of resident parent and child for social assistance. In the United Kingdom, this may be a serious disincentive to parents to cooperate with the child support requirements, because none of the support paid on behalf of children whose parents claim income support is of direct immediate financial benefit to them. The new proposals will allow some child support received to be disregarded for purposes of income support, and disregarded in full for purposes of in-work tax credits. In the United States, policy regarding the treatment of child support in the calculation of welfare benefits has changed more than once. In the early 1980s, none was disregarded; from 1984 through 1996 up to $50/month was disregarded; and current policy allows states to set their own limits. Whereas most states now count all child support received, Wisconsin has taken a dramatically different road (see the articles by Cassetty and colleagues and by Meyer, Cancian, and colleagues in this *Focus*).

We were surprised that there is less than $100 per month (purchasing power parity, ppp) difference between the child support liabilities in five of the locations in this study (France, Germany, Norway, the United Kingdom, and Kansas). If Norway is not considered, the amounts are within $35 per month. Yet the systems that reached such similar results are actually very different. For example, the French decision was made on an individual, discretionary basis in a family court; the U.K. decision was made by administrative staff in a centralized Child Support Agency (an agency of the Department of Social



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**Table 1**
**Child Support Regimes: An Overview**

| Country | Responsibility for Divorce Proceedings | Determination of Child Support in Divorce or Separation | | | Different Arrangements for Nonmarital Children | Responsibility for Enforcing Payments | Has "Advanced" Maintenance Scheme |
|---|---|---|---|---|---|---|---|
| | | By Parents | By Courts | By Agencies | | | |
| Austria | Courts | Yes, ratified by court | Yes | No | No | Courts and Youth Welfare Office | Yes |
| Belgium | Courts | Yes, ratified by court | Yes | No | No | Courts | Yes |
| Denmark | Statsamter[a] | Yes, ratified by statsamter | (Residual role) | Yes, statsamter | No | Statsamter | Yes |
| Finland | Courts | Yes, confirmed by social welfare board | (Residual role) | Yes, municipal social welfare boards | No | No overall responsibility, but social welfare boards collect what they "advance" | Yes |
| France | Courts | Yes, ratified by courts | Yes | No | No | Courts (social security administration will assist) | Yes |
| Germany | Courts | Yes, ratified by courts | Yes | No | Automatic state guardianship; involvement of Jugendämter[a] | Jugendämter and courts | Yes |
| Netherlands | Courts | Yes, ratified by courts | Yes | No | No | LBIO (National Bureau for Recovery of Child Maintenance) | No |
| Norway | Fylkesmann[a] | Yes | (Residual role) | Yes, local offices of National Insurance Administration | No | Maintenance Contribution Collecting Agency | Yes |
| Sweden | Courts | Yes | (Residual role) | Local social security offices assess liability to repay state | No | Courts and social security administration (Swedish Enforcement Service) | Yes |
| U.K. | Courts | Yes, ratified by courts | (Residual role) | Yes, Child Support Agency | Less access to court procedures | Courts, and Child Support Agency | No |
| U.S. | Courts | Only if fits formula or court approves deviation from formula | Yes | Generally no | No | State child support agencies and courts | No |



**Source**: A. Corden, ***Making Child Maintenance Regimes Work*** (London: Family Policy Studies Centre,1999), Table 2.3, p. 16.

[a]The statsamter (Denmark) and fylkesmann (Norway) are local offices of national government and civil law. The Jugendämter (Germany) are local youth authorities.

Security), using a complex and widely criticized child support formula; and the Kansas decision was made by a judge using a legislative formula.

As the United States continues to reshape its child support policy, and the United Kingdom begins to move along similar paths, systems in place elsewhere offer alternative models, providing pointers to what works as well as cautionary examples. The continental European systems are superficially quite different, but the principles underlying these systems have many points in common, and all differ in a couple of important ways from the U.K. and U.S. models. The basic structure of each system is summarized in Table 1. In the rest of this article, we discuss their main features, comparing and contrasting them with the U.S. and U.K. approaches.

## Implementing parental obligations for child support

### Different principles

In all countries, parents who are or were married to each other are legally obliged to support their children. In the case of unmarried parents, once paternity is established, the father must also provide financial support. Different principles underlie how this is done.

Two main strands of development have come together to create European and U.S. child support policy regimes. One arises from systems of public payments for "fatherless" children, historically addressing the poverty and destitution of women caring for their children on their own. The other comes from developments in family and divorce law; it reflects the need equitably to resolve the distribution of resources when parental relationships end.

Recent powerful influences that have shaped the way in which these two strands intertwine include the principle of equal rights for *all* children, regardless of the marital status of their parents; new forms of divorce and separation where the emphasis is on achieving agreement and consent; changes in family forms and parenting roles; women's greater access to earned income of their own; and the implications for the public purse of shortfall in payments. The increasing numbers of parents and children involved have also brought into sharper focus issues of administrative efficiency, consistency of treatment, and procedural expense.

One unusual feature of the United States is that child support is the responsibility of the individual states, because it is in the realm of family law. Nonetheless, the federal government has played a role, funding a portion of the child support system for states if they implement various laws and procedures.

### Different recipients

In the United States and United Kingdom the assumption that the recipient of child support should be the resident parent is seldom queried. In other countries, for example Belgium, Germany, and the four Nordic countries, the legal beneficiary is the child. This difference may have significant consequences, for example, by influencing parental compliance with payments, or affecting work incentives through perceived interactions with social assistance and taxation.

Child support is withdrawn at an early age in the United Kingdom; liabilities most commonly end when a child reaches the age of 16. In the United States and most European countries, child support normally remains due until the eighteenth birthday or the end of the child's need for financial support, which in Austria, Finland, Germany, and the Netherlands includes university education.

### Different institutions responsible for determining obligations

Placed at the intersection of law and social policy, child support regimes vary in where they locate jurisdiction and responsibility, in structure, and in their administrative arrangements (see Table 1).[7] In about half of the systems, the courts have a primary role in determining support obligations, reflecting their historical role in divorce and separation; in the United States and United Kingdom, they have also played a role because a nonmarital birth was considered a crime.[8] In the remaining countries, their role is residual, and decision making has moved to the realm of social security or welfare administration.

In most European countries, third-party determinations often build upon or ratify preliminary voluntary agreements between parents. This trend has been encouraged because it is believed to result in more realistic arrangements which parents are more likely to honor and reduces administrative expense. The United Kingdom is unusual in Europe in providing little scope or motivation to lower-income parents to try to work together to agree upon financial liability.

In the United States, negotiations between divorcing middle- and upper-income parents take place "in the shadow of the law" and thus are strongly influenced by legal principles.[9] As in the United Kingdom, however, lower-income parents are not encouraged to negotiate financial arrangements; indeed, the right to receive child support is signed over to the state as a condition of

eligibility for benefits under the cash assistance program, Temporary Aid for Needy Families (TANF). Thus the *state* is the party that initiates the financial arrangements.

### Different institutions for collecting support

Some responsibility for enforcement usually lies with the agency involved in the initial formal determination or ratification of liability. But all the new agencies which have emerged in European countries during the 1990s to manage determination or enforcement are located within or associated with benefit regimes. This association reflects current concerns, especially in the United Kingdom and the Netherlands, that defaults in payments have implications for public expenditure on social assistance. In Norway and Sweden, the association also reflects the government's guarantee that a fixed amount of the child support liability will be paid in full from public funds, whether or not the liable parent pays what is due (we discuss this later).

In the United States, enforcement is generally in the hands of the state child support office, which monitors payments and can initiate various enforcement actions, sometimes on its own authority, and sometimes through petitioning the court.

## Determining the amount of child support

### The process

In general, there are two different approaches to weighing the resources of the parents against the needs and rights of children. One begins with a philosophy that nonresident parents should provide for the costs of any children. This is sometimes described as what children "need," and in practice often leads to minimum standards of support which must be met for all children, with a scale of higher amounts to be paid by parents with higher incomes. This philosophy acknowledges that what children "need" is defined relative to their position in society. It is the basic approach in Germany and the Netherlands, and also, historically, in the United States.

Another conceptual approach begins with a philosophy that parents who live apart should share their incomes with their children just as they would have done had the family been together. Typically, this means the liability will be based on a specific percentage of parental income, as in Norway and Sweden. Although each U.S. state has developed its own formula, this type of income-sharing is now the guiding philosophy in all states (see the article by Rothe and Meyer in this *Focus*).

These basic approaches have been differently developed in European countries, however, even in fundamental issues such as the extent to which the resident parent's resources are taken into consideration. Policies vary depending on how each country interprets responsibilities and needs, how much importance it attaches to achieving comparable living standards across families and across time, and, sometimes, political imperatives, such as the need to maintain work incentives.[10] U.S. states also have different rules—for example, about the extent to which second families affect the amount of support ordered.[11]

In very few countries is the balance between parental resources and children's requirements still determined entirely on an individual, discretionary basis.[12] The inconsistencies and inequalities that such procedures generate were influential in the shift from discretionary decision making to rules-based schemes in the United States, under the Family Support Act of 1988, and in the United Kingdom, under the Child Support Act of 1991. Among the northern European countries, the general trend has been toward the development of rules, or at least, guidelines, which are believed to result in greater transparency of the process, encouraging understanding and parental compliance, consistency and equality in treatment, and ease of administration.

Such advantages may be lost, however, as the rules or guidelines become more complex, or more discretionary components are built in. Among the European countries (and compared to all U.S. states), the current U.K. child support formula is undoubtedly the most complex, and has proved unworkable. The 1999 White Paper proposes to replace the current minimum-needs-based formula by a simple percentage-of-income calculation.[13]

In the United States, the guidelines selected by the states vary considerably for particular types of cases, and not a great deal is known about how they are actually used by decision makers—whether as a general indicator of appropriate ranges or as a precise measure of liability. A recent study of 11 states found that 72 percent of orders were consistent with the guidelines, but it also found substantial cross-state variation.[14]

## Payments and receipts

In the United Kingdom and most of the other European countries studied, the usual way of paying child support is through private arrangements between parents: cash or bank transfers. Official collecting schemes come into operation only when relationships between parents are too difficult for private arrangements, when there are defaults in payment, or when public authorities try to recoup expenditures on assured-support schemes or social assistance.

In the United States, collection policy has changed over time. In most states, private arrangements were the primary method of payment. By the 1980s, states were able to garnish wages when a nonresident parent became delinquent ("withholding in response to delinquency"; see table, p. 3). Because this approach was seen as being

inefficient and slow, "immediate withholding" (withholding the payments from the earnings of the nonresident parent from the day support is owed) was pioneered in Wisconsin and eventually was required in all states.[15] Because, again, the various private and public payment systems under this policy were considered cumbersome and difficult to monitor, the 1996 welfare reform legislation required states to have centralized collection, distribution, and record-keeping facilities.

There are problems of nonpayment of child support in all countries, but it is hard to make direct comparisons, because of the policy and data issues mentioned earlier and because in European countries, unlike the United States, there has been little systematic research on compliance. The Scandinavian countries appear to achieve the highest levels of compliance with payments of child support; France, Germany, and Finland have considerable problems. Some U.S. states perform substantially better than others: for example, in Wisconsin, often recognized as one of the best-performing states in the 1980s and early 1990s, only 16 percent of divorced nonresident parents and 33 percent of unmarried fathers paid nothing in the first year.[16] In general, the U.S. research has shown that compliance is related to the ability of the nonresident parent to pay and to the kind of enforcement regime (immediate income withholding increases compliance, for example). Other factors are becoming less important as the enforcement regime becomes more automated and more stringent.[17]

There exist severe penalties for persistent nonpayment of child support, including imprisonment, in most European countries and the United States. The U.K. White Paper proposes a financial penalty for late payment—up to 25 percent of the money due. Austria, the Netherlands, and Sweden also have financial penalties for arrears. In the United States penalties for nonpayment have become increasingly stringent; arrearages cannot be forgiven even in bankruptcy proceedings and all states now can revoke professional and driver's licenses. Despite the trend toward more severe penalties, there is little evidence, from either Europe or the United States, about the effectiveness of enforcement actions other than immediate withholding of support due.[18]

In contrast to the U.S. focus on penalties, the policy emphasis in most countries is to try to establish payment patterns and prevent arrears from building up. If negotiations between authorities and liable parents fail to restore payments, the preferred option, in all European countries, is to deduct the payments from earnings at source (withholding in response to delinquency). The tax system can be used in countries where tax refunds are normally payable at the end of the accounting period. In France there are wide powers to recover support due from bank accounts, savings, pensions, and benefits.

## "Advance" or assured-support schemes

There is an interesting range in Europe of schemes which guarantee at least some portion of child support due (setting aside social assistance schemes, which make up shortfalls in resources). Such schemes are most highly developed in Norway and Sweden, where all resident parents may apply for a standard advance, leaving responsibility for collection to public authorities. In other countries, parents may apply for advance only after default in formal arrangements. The advanced support is usually a standard amount, which varies, for example, with the child's age in Germany, and with the type of family in Finland.

Advance schemes can be costly, especially if noncompliance with payments due is widespread. Other problems include low take-up rates among resident parents, reported from France.[19] The Nordic countries, France, Austria, and Germany are strongly committed to these schemes, which are seen as important instruments in maintaining children's living standards and preventing poverty.

In both the United Kingdom and the United States the focus has been on parental responsibility and work incentives. The current U.K. government has no proposals to provide advance child support from public funds. The U.K. proposed reforms attempt to increase the incomes of lone parents by increasing their work incentives, by requiring minimum payments from nearly all nonresident parents, and by enabling more lone parents to benefit directly from any maintenance paid, rather than by guaranteeing a certain level of child support. Similarly, proposals for guaranteed child support have generally been coolly received in the United States. With the new opportunity, under welfare reform, for states to design their own cash assistance policies for low-income families, there may be a new interest in guaranteed child support plans.[20]

## Conclusions, policy issues, and future research needs

Cross-national reviews are necessarily complex, and there are well-known problems in drawing lessons from other countries, particularly countries of considerable difference in size and with very different histories and institutional arrangements. Nevertheless, we believe this review provides interesting perspectives for policy in both the United Kingdom and the United States.

The review suggests that the United Kingdom has drawn closer to the U.S. scheme in some of the new proposals, tying in with "welfare to work" initiatives and strength-

ening enforcement mechanisms. There is a stated commitment to reducing poverty and improving children's living standards, but policies are directed toward emphasizing and enforcing parental responsibilities, rather than driven by the focus on children's rights that has been so strong in some European countries.

There are several policy areas for the United States and United Kingdom to consider. The United Kingdom is unusual in cutting off child support at 16 years; this seems to be inconsistent with the general tendency in both Europe and the United States for parents to extend financial responsibility for their children further into adulthood. To date, we know little about the extent to which child support continues beyond age 18. Perhaps policymakers need to consider the rationale for stopping support at age 18, and researchers could pay attention to the way the child support system works for those 18 and over who are in college.

The United Kingdom is also unusual in Europe in its commitment to even-handed treatment of children in first and second families in its child support formula. This is a highly contentious issue in the United States, but for all the political attention, there is little real information on the effects of different policies. Cross-national research would clearly be very enlightening.

In both the United Kingdom and the United States, there is little real commitment to encouraging and enabling lower-income parents to work together to reach their own agreements. The trend in continental European countries has been toward enabling structures and procedures which encourage parental cooperation in working out realistic support arrangements. This may derive from different approaches to divorce and separation, and the different power bases of the parents concerned; it may also be associated, in the United States, with a long-standing reluctance to provide higher levels of income support to lone-parent families. In continuing to emphasize arms-length determination of support awards through administrative formulas and guidelines, backed up by automatic administrative enforcement, both countries may be missing opportunities and advantages arising from parental attempts to negotiate, cooperate, agree, and make responsible decisions about their children. Child support is, after all, about relationships and commitments as well as money transfers. Moreover, it is possible that child support orders set by parental negotiation, even though lower, may be more likely to be paid, so that there could also be financial benefits.

Two of the three U.S. states in this article had orders for the average-income parent that were substantially higher than the European countries. We do not have direct evidence, but we suspect that the United States would be even more of an outlier if lower-income parents were included. The appropriate amount of a child support order when the nonresident parent has low income is the subject of considerable debate in the United States, and different states have set different policies. We do not yet know the effects of these policies; cross-state research seems warranted, and the international evidence suggests that we may be expecting more than many low-income parents can provide.

Finally, the European experience with advance maintenance and guaranteed child support schemes seems worthy of careful study. In a new U.S. policy regime in which there are time limits on the receipt of income support for low-income single mothers, we believe states need to explore alternative ways to provide economic benefits to vulnerable families, and guaranteeing a certain level of child support is worth careful consideration. ■

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[1]J. Ditch, H. Barnes, J. Bradshaw, and M. Kilkey, *A Synthesis of National Family Policies 1996* (University of York: European Commission, 1998).

[2]J. Lewis, *Lone Mothers in European Welfare Regimes* (London: Jessica Kingsley Publishers, 1997).

[3]The study compared the United Kingdom to Austria, Belgium, Denmark, Finland, France, Germany, the Netherlands, Norway, and Sweden. See A. Corden, *Making Child Maintenance Regimes Work* (London: Family Policy Studies Centre,1999).

[4]M. Pirog, M. Klotz, and K. Byers, "Interstate Comparisons of Child Support Orders Using State Guidelines," *Family Relations* 27 (1998): 289–95, briefly reported in this *Focus*, p. 61.

[5]The method is described fully in Corden, A. *Making Child Maintenance Regimes Work*; see also Pirog, Klotz, and Byers, "Interstate Comparisons."

[6]Corden, *Making Child Maintenance Regimes Work*; J. Bradshaw, C. Stimson, C. Skinner, and J. Williams, *Absent Fathers?* (London: Routledge, 1999).

[7]M. Maclean, "The Making of the Child Support Act of 1991: Policy Making at the Intersection of Law and Social Policy," *Journal of Law and Society* 21, no. 4 (1994): 505–19.

[8]M. Melli, "A Brief History of the Legal Structure for Paternity Establishment in the United States," pp. 31–42 in Institute for Research on Poverty Special Report 56A, University of Wisconsin–Madison, 1992.

[9]R. Mnookin and L. Kornhauser, "Bargaining in the Shadow of the Law: The Case of Divorce," *Yale Law Journal* 88 (1979): 950–97.

[10]This is discussed by H. Barnes, P. Day, and N. Cronin, *Trial and Error: A Review of UK Child Support Policy* (London: Family Policy Studies Centre,1998).

[11]D. Meyer, M. Cancian, and M. Melli, "Low-Income Fathers and Child Support Orders," Final Report to the Wisconsin Department of Workforce Development, June 1997; M. Haynes, ed., *Child Support Guidelines: The Next Generation* (Washington, DC: U.S. Department of Health and Human Services 1994).

[12]It happens, for example, when liabilities are decided by a judge in a family or divorce court in Belgium or France.

[13]United Kingdom, Department of Social Security (DSS), *A New Contract for Welfare: Children's Rights and Parents' Responsibilities*, Cm 4349, White Paper, London: The Stationery Office, 1999.

[14]See *Evaluation of Child Support Guidelines: Final Report*, prepared for the Office of Child Support Enforcement, Washington, DC, 1996; D. Meyer, and M.-C. Hu, "A Comparison of the Use of Child Support



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Guidelines in Wisconsin and Other States," Final Report to the Wisconsin Department of Workforce Development, September 1998.

[15]I. Garfinkel and M. Klawitter, "The Effect of Routine Income Withholding on Child Support Collections," *Journal of Policy Analysis and Management* 9 (1990): 155–77.

[16]D. Meyer,"Compliance with Child Support Orders in Paternity and Divorce Cases," in *The Postdivorce Family: Children, Parenting, and Society*, ed. R. Thompson and P. Amato (Thousand Oaks, CA: Sage Publications, Inc., 1999). Other articles in this *Focus* discuss U.S. levels of compliance; see, e.g., the article by Sorensen and Zibman.

[17]The relationship between child support and contact between nonresident parent and child, a subject of considerable debate, is addressed in this *Focus* in articles by Bradshaw and Skinner and by Seltzer.

[18]For exceptions, see A. Beller and J. Graham, *Small Change: The Economics of Child Support* (New Haven, CT: Yale University Press, 1993); D. Meyer and P. Hernandez, "Enforcement Tools and Long-Term Compliance with Child Support Orders in Wisconsin," Report to the Wisconsin Department of Workforce Development, December 1999.

[19]E. Renaudat and M. Villac, "L'allocation de soutien familial: l'intervention de l'Etat dans la gestion de l'après-divorce," in *Affaires de familles, affaires d'Etat*, ed. F. Schulteis and F. DeSingly (Nancy: Editions de l'Est, 1991).

[20]Helen Barnes and her colleagues suggest that such schemes are more characteristic of states which favor "maximum public responsibility" for welfare. Barnes, Day, and Cronin, *Trial and Error*, p. 45. On U.K. policies, see the article by Bradshaw and Skinner in this *Focus*. For child support assurance policies in the United States, see "Developing a Child Support Assurance Program: New York and Minnesota," *Focus* 17, no 3 (Spring 1996): 37–41; I. Garfinkel, E. Phillips, and T. Corbett, *A New Way to Fight Child Poverty: The Child Support Assurance Strategy* (NewYork: National Center for Children in Poverty, 1992); W. Hamilton, N. Burstein, A. Baker, A. Earle, S. Gluckman, and others, *The New York State Child Assistance Program: Five-Year Impacts, Costs and Benefits* (Cambridge, MA: Abt Associates, 1996); P. Roberts, "Beyond Welfare: the Case for Child Support Assurance," Kellogg Devolution Initiative Paper, Washington, DC: Center for Law and Social Policy, 1999. < http://www.clasp.org/pubs/childassurance/ CSAPaper.htm >

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# Child support: The British fiasco

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In 1991 the British government, borrowing policy from the United States and Australia, passed the Child Support Act. The act was intended to sweep away the old arrangements for maintenance (i.e., child support), which had been based on a dual system through the courts and the "liable relative procedures" in social security law and administration. A Child Support Agency (CSA) was to be established with powers to assess and enforce child support payments, using a standard, and supposedly simple, formula.

Originally all "absent" (nonresident) parents were to be covered by the new scheme, whether or not their former partners were dependent on social security benefits and the parents had agreed on a settlement before the passage of the act. All child support received would be counted as income in calculating benefits paid to the majority of lone parents who were on Income Support (social assistance); only a limited amount of support would be disregarded in calculating family income, which determines the amount of work-related benefits (Family Credit, Disability Working Allowance, and Housing Benefit). Lone parents who refused to disclose the name and whereabouts of the fathers would be subject to a reduction in benefits. The act was passed with the support of all political parties and despite the urgent warnings about its potential problems from academics and lobbying groups in the family policy area.[1]

This remarkable political consensus had various roots: a kind of "moral panic" over the decline of the family that was encouraged by the rhetoric of Conservative prime ministers Margaret Thatcher and John Major; a fundamentally moral view that biological parents should be responsible for their children; a pragmatic concern about the increase in the numbers of lone parents and their dependence on benefits; and the knowledge, derived from research, that existing maintenance awards through the courts were low, irregularly paid, and often not reviewed over time.[2] And when the government White Paper that contained the reform proposals was published in 1990, benefit savings and increased incentives for lone parents to join the labor force were also added to the objectives of the child support reforms.[3]

## The failure of the Child Support Act

This is not the place to review the débâcle of child support since the CSA began operations in April 1993. It is widely agreed that the act contained some fundamental flaws: it was retrospective in nature—long-settled court and informal agreements were overturned by the new CSA assessments; the poorest children would gain nothing, because there was to be no disregard of maintenance received by those on Income Support; and the formula for computing maintenance awards was complicated and rigid.

The implementation of the act by the CSA was a fiasco. Huge delays and backlogs, inaccurate assessments, and incompetent or nonexistent enforcement resulted in confusion, distress, and a general loss of confidence in the agency by both lone and nonresident parents. The child support system is still failing to deliver on all its objectives. By February 1999, among cases that were fully assessed and in which payments were made via the CSA (about a third of all active cases), only 44 percent of nonresident fathers were paying the full amount, a quarter paid a partial amount, and a third were noncompliant.[4] There is no evidence on the compliance of parents who do not use the CSA collection service, but noncompliance and collusion are thought to be epidemic, and CSA annual accounts for 1997–98 estimated that arrears assessed amounted to about £600 million (about U.S. $990 million).

Despite the aspiration to create a single system, the CSA has dropped nonbenefit cases and a dual system has been reestablished: the child support system for lone parents on means-tested benefits, and other arrangements through lawyers and the courts for other people. The proportion of lone parents receiving regular child support is very little different than it was under the old system; nor, if we take into account inflation since 1989, is the level of payments, which have fallen as a result of changes to the formula in 1995. The National Association for Child Support Action, a private advocacy group, argues that the savings to the public purse from the new system have been minuscule or nonexistent, if the cost of administering the CSA is considered.[5]

## The new Labour child support scheme

The Labour government elected in 1997 decided to abandon the existing act. A new bill is on its way through

Parliament and the new child support scheme will begin to take on new cases in April 2001. The main changes in the new bill are:

- A simpler formula which assesses the child support payable on the basis of the nonresident father's income only. Child support will be 15 percent of net income (after income tax and national insurance contributions only) for one child, 20 percent for two, 25 percent for three or more. If the father is supporting resident children, then there will be an allowance of the same proportion of income per child before the formula is applied to income.
- Fathers with incomes of less than £200 (U.S. $320) per week will pay lower amounts on a sliding scale, and those with less than £100 per week or on Income Support will be expected to pay a minimum of £5 per week.
- There will be a child maintenance premium—an income disregard for mothers on Income Support of £10 per week in child support. Child support will also be completely disregarded in calculating the Working Families and Disabled Workers tax credits.
- The child support scheme will apply automatically to lone parents on Income Support. Private cases (those not on Income Support) will be able to opt into the scheme after a court order has been in place for at least a year.
- There will be tougher enforcement, with deductions from earnings, fines and even imprisonment for noncompliance, and seizure of driving licenses.

The scheme has been subject to a critical review by the Social Security Committee of the House of Commons and from opposition members in Parliament during debates on the bill.[6]

## Challenges to child support policy

The Child Support Act of 1991 was passed without any research ever having been undertaken on nonresident fathers in Britain and their behavior, beliefs, and feelings about their financial obligations. We have just completed such a study.[7] It consisted of a sample survey of about 600 nonresident fathers, identified by a screening questionnaire in an all-purpose survey, plus two follow-up qualitative studies, one of which was devoted to financial obligations. But only about 5 percent of men interviewed in the survey identified themselves as nonresident fathers; the actual proportion may to be up to three times greater. Thus the sample is unlikely to be representative of all nonresident fathers, although we were able to adjust for nonresponse bias among those fathers identified in the screening survey. We would expect that, if anything, our sample is biased in favor of those with a greater capacity to pay.

Three findings of our research present a challenge to the Labour government's proposals and to child support policy in general.

**1. There is a tendency to exaggerate the capacity to pay of nonresident fathers.**

It was the intention of the Child Support Act of 1991 to increase the level of support paid and the proportion of nonresident fathers paying support. It failed to achieve either objective. Taking into account inflation, the average level of child support actually paid is little higher than was found by Jonathan Bradshaw and Jane Millar in 1991, and the proportion of nonresident fathers paying formal child support has not increased.[8] So it is again a primary objective of the new scheme to increase payment rates and amounts paid. But even if the new scheme results in increased compliance (or succeeds in enforcing it), there is rather limited paying potential among nonresident fathers.

The socioeconomic circumstances of nonresident fathers differed from those of resident fathers in the survey. They were less likely to have stayed at school after age 16, only two-thirds were employed (compared with over 80 percent of resident fathers), and they were more likely to be low paid. Only about half the unemployed were looking for work, and there was a high rate of sickness and disability. The actual unemployment rate was 17 percent, compared with 9 percent among resident fathers. Compared with fathers in general, nonresident fathers were much more likely to be dependent on Income Support and other benefits and to be living in poverty. This has implications for their capacity to pay child support.

Of the fathers we interviewed, 57 percent reported that they were currently paying support, and two-thirds of the rest claimed to be giving some informal support in the form of presents, clothing, pocket money, and even household or domestic goods.[9] The odds of a father paying child support were much lower if he was not employed, if he was young when he became a father, if there was no formal arrangement in place for paying child support, if the mother was receiving Income Support, and if the father had no contact with the mother (or child) and gave no informal support (see Table 1).

What scope is there for increasing the proportion of fathers who are paying maintenance? If there were to be an effective child support regime, what would be its target? What evidence is there that nonpayers are financially able to pay but nevertheless deliberately avoid their obligation? In an attempt to tackle these questions, we divided nonpayers in our sample into four groups.

Group 1: **No paying potential** (63 percent). These included the unemployed, nonactive (both disabled and out

of the labor market), those on Income Support or with equivalent net disposable income in the bottom quintile of the income distribution, and those who shared in the care of their children.

Group 2: **Possible paying potential** (13 percent). These included those not in Group 1 who had (new) family commitments involving children and equivalent net disposable income in the second and third quintiles, implying competition for whatever resources were available in the household.

Group 3: **Probable paying potential** (15 percent). These had income in the second and third quintiles of the income distribution, but no new family commitments; thus there was no competition for household resources.

Group 4: **Certain paying potential** (9 percent). These were not in the previous three groups and had income in the top two quintiles.

We see, therefore, rather little scope for increasing the proportion of nonresident fathers who pay maintenance. Note that this analysis covers *all* nonpayers, whereas the new child support scheme (and effectively the existing scheme) is aimed mainly at lone parents on Income Support. Such parents are much less likely to be receiving child support, and the nonresident parents of their children are also less likely than average to have any paying potential. In May 1999, 36 percent of nonresident parents for whom full child support assessments had been made were receiving Income Support or the equivalent, and 51 percent of nonresident parents who had received a full child support assessment had net incomes of less than £100 per week.[10]

This analysis of paying potential was based on the existing scheme, in particular the rule that nonresident fathers on Income Support with new families should not be expected to pay child support. In the new scheme it is proposed to charge all fathers minimum child support of £5 per week, regardless of their incomes and family commitments. The justification for this—that personal circumstances cannot negate responsibility for one's children—competes with the principle that Income Support is supposed to be a floor, a safety net.

The £5 requirement is also effectively a transfer from one poor family to another poor family. By sequestering £5 of the income assistance received by their former partners for child support, it just about compensates lone mothers on Income Support for the 1997 abolition of the lone parent premium they then received. There is a balance to be struck between parents and the taxpayer. The taxpayer takes primary responsibility for supporting the children of those parents who are not in the labor market and also has responsibility for supporting the children of lone parents on Income Support. This has been the collective arrangement considered reasonable since 1948. It

**Table 1**
**Factors Associated with the Chances of Currently Paying Child Support**

| *Variable* | *Bivariate Analysis* | *Best Fitting Analysis* |
|---|---|---|
| **Net Income Quintile** | | |
| 1 | 1.00 | |
| 2 | 1.38 | |
| 3 | 4.24*** | |
| 4 | 15.26*** | |
| 5 | 19.75*** | |
| Don't know income | 3.61*** | |
| **Employment Status** | | |
| Employed | 1.00 | 1.00 |
| Self-employed | 0.67 | 0.77 |
| Inactive | 0.06*** | 0.05** |
| **Current Marital Status** | | |
| Single | 1.00 | |
| Married | 1.50* | |
| Cohabiting | 1.58* | |
| **Current Family Circumstances** | | |
| Lives with children | 1.00 | |
| No children | 2.08*** | |
| Lives alone | 1.29 | |
| **Age When First Became a Father** | | |
| Under 20 | 1.00 | 1.00 |
| 20–24 | 3.29*** | 3.49** |
| 25–30 | 4.78*** | 4.00** |
| 31+ | 3.76*** | 3.84* |
| **Marital Status to Mother** | | |
| Married now divorced | 1.00 | 1.00 |
| Married now separated | 0.80 | 1.13 |
| Cohabited never married | 0.33*** | 0.45* |
| Never lived with mother | 0.52* | 2.08 |
| **Time Lived with Mother** | | |
| Less than 1 year | 1.00 | |
| 1–4 | 1.27 | |
| 5–9 | 2.51*** | |
| 10+ | 2.44*** | |
| **Time since Separation** | | |
| Less than 2 years | 1.00 | |
| 2–5 | 1.05 | |
| 5–9 | 1.19 | |
| 10+ | 0.85 | |
| **Distance Lived from Child** | | |
| 0–9 Miles | 1.00 | |
| 10–25 | 1.27 | |
| 26+ | 0.77 | |
| **Age of Youngest Child** | | |
| 0–4 Years | 1.00 | |
| 5–10 | 1.95** | |
| 11–18 | 1.90** | |
| **Number of Nonresident Children** | | |
| One | 1.00 | |
| Two | 1.62** | |
| Three or More | 1.77 | |
| **Contact with Child** | | |
| No | 1.00 | |
| Yes | 3.29*** | |

*(table continues)*



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**Table 1, continued**

| *Variable* | *Bivariate Analysis* | *Best Fitting Analysis* |
|---|---|---|
| **Mother's Employment Status** | | |
| Working | 1.00 | |
| Not working | 0.27*** | |
| Don't know | 0.28*** | |
| **Mother Lives with a New Partner** | | |
| Yes | 1.00 | |
| No | 1.10 | |
| Don't know | 0.33*** | |
| **Mother Receives Income Support** | | |
| Yes | 1.00 | 1.00 |
| No | 3.16*** | 5.30*** |
| Don't know | 0.76 | 1.33 |
| **Contact with Mother** | | |
| Yes | 1.00 | 1.00 |
| No | 0.29*** | 0.36** |
| **Relations with Mother** | | |
| Amiable | 1.00 | |
| Amiable/distant | 1.29 | |
| Not amiable | 0.72 | |
| No relationship | 0.26** | |
| **Gives Informal Support** | | |
| No | 1.00 | 1.00 |
| Yes | 4.27*** | 3.17** |
| **Maintenance Arrangement** | | |
| Court/DSS/CSA at some time | 1.00 | 1.00 |
| No formal arrangement | 0.33*** | 0.11*** |
| **Assessed by the CSA** | | |
| Yes | 1.00 | |
| No | 0.75* | |

***p<.0001, **p<.001, *p<.01

is an understandable aspiration to get fathers to contribute what they can, but not when there is a risk that other children will suffer.

In the White Paper, moreover, there is no limit to the maximum maintenance that nonresident fathers will be expected to pay, on the ground that "children have a right to share in the income of their parents." Our results suggest there will be serious opposition from better-off fathers if the scheme expects them to pay more than what they consider to be the cost of a child and more than is necessary to lift their children (but not the mothers, let alone the new partners) beyond the scope of Income Support. Why should the state determine how much fathers should pay for their nonresident children when it does not involve the taxpayer? This would be considered an assault on personal liberty if it happened in a two-parent family.

We undertook an analysis of the proposed child support scheme outlined in 1998, using data from the survey of nonresident fathers in Britain to illustrate its possible impact.[11] We found:

- Under the new scheme most nonresident parents will be expected to pay more than they are currently paying, even if they are already paying some child support.[12]
- The largest group who will be expected to pay more are the poorest—those dependent on benefits and especially those with resident children, who are not expected to pay any child support under the existing scheme.
- The new scheme fails to take into account resident children (either their presence or how many there are) if the fathers' net earnings are below £100 or if they are dependent on benefits. Children in second families are therefore being treated inequitably across different groups of nonresident parents.

**2. Nonresident fathers do not share the principle that they have an absolute financial obligation to support their biological children.**

The Child Support Act of 1991 was based on the principle that biological fathers have an absolute and unreserved responsibility to provide financial support for their children. The most important general finding of our research was that not all the fathers accepted this principle. The maintenance obligation has never been unconditional. It has been negotiated, both implicitly and explicitly. Fathers arrived at a commitment to pay maintenance by weighing up the strength of the financial obligation in the context of their own personal, financial, and family circumstances and those of the mother and children. Making that commitment depended partly upon their ability to pay, the children's material needs, and the mother's (and her partner's) ability to provide financially. Most important, it depended upon the ability of the father to negotiate explicit contact arrangements with the mother.

Fathers felt that the mother's right to claim maintenance (albeit on behalf of children) had to be *legitimized* before they would pay. This legitimization process partly depended upon the father's perception of the mother's behavior over contact as being "fair."[13] If the mother facilitated contact or at least recognized the father's independent relationship with his children then her claim for maintenance was accepted as legitimate. Failure of the mother to do so induced an overwhelming sense of victimization and powerlessness. Fathers' attitudes tended to be that there was no point in paying maintenance "for a child they were not seeing." If maintenance was enforced, some fathers would use withdrawal of payment to send messages of disquiet and anger over the loss of contact.

In the absence of meaningful social relationships with their children, fathers were generally reluctant to accept the maintenance obligation. Yet it is difficult for any external authority to ensure contact, or at least not with-

out risk of damage to all involved.[14] Janet Finch, in her 1989 study, *Family Obligations and Social Change*, has well described the problem that the government faces:

> [G]overnments are quite capable of promoting a view of family obligations which is out of step with what most people regard as proper and reasonable, and with the commitments people have arrived at themselves, through the delicate process of negotiation. . . . Governments in this situation may try to ensure that their own views prevail, but their chances of success are probably partial at the best.[15]

This area of policy calls for a degree of flexible, individualized justice. Rather than a child support regime based on a rigid and complicated formula administered by the Department of Social Security (DSS), it might have been preferable to increase the consistency of adjudication in the courts and establish mechanisms for better review and enforcement. The 1991 scheme lost the support of both fathers and mothers because it was seen as unfair (and incompetent).

Under the proposed new scheme, child support is once again to be imposed without regard to other matters. Great Britain is unusual in Europe in seeking to do this. Anne Corden found that the most usual arrangement in European countries was for issues of property, finance, contact, and child support to be dealt with together, through negotiation at the time of formal separation.[16]

The 1999 White Paper recognized the interrelationship between contact and higher maintenance levels, stating that "It is clearly important for effective child support arrangements that contact is settled to the satisfaction of both parents," but it does not say how that is to be achieved. There is only some vague notion of an "active family policy," and the hope that a more effective system for child support will enable parents "to put financial issues to one side when sorting out the more difficult questions of caring for their children."[17] In regard to contact, little has changed for child support policy, and we still face the likelihood of a split system for child support. The DSS will deal almost exclusively with Income Support cases. Other cases will make private arrangements between themselves or with the support of solicitors and the courts.

Under a 1996 law, the Family Law Act, the Lord Chancellor's Department began experimenting with information and mediation services following marital (but not cohabitation) breakdown, covering the arrangements for children, the distribution of property and other assets—in fact, everything except child support. But the Family Law Act has not yet been fully implemented and is indeed stalled. The information service and mediation experiments appear to have failed.

Because of the stalling of the Family Law Act, there was an opportunity for thrashing out a common strategy and more coherent set of arrangements for negotiating contact, child support, and other matters consequent on the breakdown of relationships when children are involved. The difficulty is that we are not starting from scratch. The Child Support Agency exists, and so does the Family Law Act, after a torrid passage through Parliament that makes it unlikely that the legislation will be revisited. We may be left, after the reforms, with a set of incoherent arrangements, in which private agreements for child support are acceptable, but only when Income Support is not paid to the children.

**3. The moral power of children's entitlement to encourage compliance may be overestimated.**

Making a commitment to pay maintenance is not based upon a straightforward economic calculation. It also constitutes a moral obligation, as it reflects normative expectations for specific family practices. Fathers should pay maintenance (it is argued) because children are entitled to financial support from their parents. It is this moral argument of entitlement that has underpinned the legitimacy of the Child Support Acts. The 1991 act and the 1995 revisions were flawed, because no maintenance, or only a small amount, was handed over to the poorest children—those dependent upon means-tested benefits. The new scheme intends to correct this and to reestablish the legitimacy of children's entitlement by disregarding child support for those receiving work-related benefits and by giving a maintenance premium to those on Income Support.

Certainly fathers in our research have tended not to dispute this principle of entitlement, at least in the abstract. But although premiums and disregards will benefit mothers and children, their incentive effect on fathers may be more limited. Children's entitlement was intimately interwoven with mothers' entitlement. Where relations with mothers were mistrustful—and this often went hand in hand with no contact—the fathers questioned the legitimacy of the obligation. In such circumstances, the moral power of children's entitlement to encourage compliance is diminished. In effect, fathers see the mothers as trustees of the father's "active" role as a parent and of the expression of care attached to child support. Where fathers have no faith in the mother as a trustee, they often prefer to give informal support in the form of gifts, clothing, or savings directly to the children. By these gifts, children's entitlement to financial support, though not to formal cash maintenance, is preserved.

Nonpayment of maintenance in the context of mistrustful relationships with the mother shows how the moral power of children's entitlement to financial support can also work to discourage payment. Where parental relationships are poor, fathers do not always believe that the assumed benefits of entitlement can be turned into reality by simply paying maintenance. The assumption in the 1999 White Paper, that the maintenance premium will

encourage compliance because the "fathers will know that they are contributing directly to the support of their children," therefore completely misses the point.[18]

Our research shows that fathers do want to fulfill all their parental obligations—social, emotional, and financial—but it seems that one is unsatisfactory without the others. There is, in some sense, no need to "reinforce" parental obligations; they exist and are accepted already. But there is a need to facilitate them through an increased understanding of the emotional and moral turmoil that follows family separation, cohabitation breakdown, or a nonmarital birth.

## Conclusions

In the 1991 Child Support Act, the state took a robust moral stance in the interests of the taxpayer and imposed a law on people, who, it has been demonstrated, were not prepared to consent to it. In this new episode of child support policymaking, government ministers have, in general, been much more open than those that have gone before. The discourse of vilification has been muted, the language changed, many more people, notably including nonresident fathers' groups, have been given an opportunity to have their say, and some attention has been paid to research evidence.

Little has changed, however, over the legislative course. Discussion of reform has been most heavily influenced by the experience of the DSS and the CSA with the 1991 act and its successors. Indeed, the new scheme seems largely to be directed toward simplifying and reducing the administrative overheads of the CSA. The proposals fall short of providing a truly integrated system. One of the few (and most welcome) changes was the result of the Department of Social Security persuading the Treasury to disregard child support in full in assessing the Working Families Tax Credit (WFTC).

The government has accepted the legitimacy of private negotiations for cases claiming WFTC (despite the involvement of the taxpayer). It has not accepted their legitimacy for lone mothers receiving Income Support. Here a formula will still be rigidly enforced, and very strict conditions for departures from the formula will be applied. The state is earmarking a proportion of fathers' earned income (and benefit income in the case of Income Support claimants) for maintenance if the nonresident children are dependent upon Income Support. The obligation to pay maintenance is still effectively a tax, as this financial debt is to come before fathers' other day-to-day expenses and other obligations to their nonresident children, including the provision of informal support (except for some exceptional expenses, such as mortgage payments for the child's home).[19]

Under the proposed scheme for child support, the assessment is still formula-driven for all participants and enforced independently of negotiations between the parents about their arrangements for financial support, contact, and other related matters.[20] In the context of the private meanings of parenthood, it is wholly inappropriate that an external agency should define how the parental obligation to children is to be expressed—in cash terms—and prioritized. Fathers' social, financial, and moral obligations to their children are intimately interwoven. They exist and operate in different social realities and are effectively negotiated within a framework of parenthood and not within a framework of social security agency regulations.

Fundamental confusions over the aims of child support policy remain. Does it seek some recompense for the state's costs in supporting children or more money to increase children's well-being? If it is the latter, then more care should be exercised in the assessment procedures and the provision of informal support should be recognized. Above all, we believe, it is necessary to develop a joint approach to the settlement of issues that arise from fractured relationships in which children are involved. Policymakers should set in place a series of experimental pilot schemes to explore a coordinated Family Court System for dealing with all matters relating to divorce and cohabitation breakdown. ■

---

[1]H. Barnes, P. Day, and N. Cronin, *Trial and Error: A Review of UK Child Support Policy* (London: Family Policy Studies Centre, 1998).

[2]The first national survey of lone parents found that only 29 percent at any one time were receiving regular payments from a nonresident father, with a mean payment per child of £16 per week. See J. Bradshaw and J. Millar, *Lone Parent Families in the UK* (London: HMSO, 1991).

[3]H. M. Government, *Children Come First: The Government's Proposals on the Maintenance of Children*, Cm 1264, London: HMSO, 1990. "White Papers" embody proposed government policies. "Green Papers" are issued by the government to open political discussion of particular policy proposals.

[4]Child Support Agency, *Quarterly Summary Statistics*, London: HMSO, 1999. [Ed. note: 1997 U.S. data from the National Survey of America's Families show that 52 percent of children with nonresident fathers had a support order, 68 percent of those received some support, and only 23 percent received the full amount of the order. See the article in this *Focus* by Sorensen and Zibman.]

[5]This organization was previously called the Network Against the Child Support Act. Its World Wide Web site is http://www.nacsa.org.

[6]The Labour Government published a Green Paper setting out their ideas in 1998 (*Children First: A New Approach to Child Support*, Cm 3992, London: HMSO, 1998) and a White Paper setting out their proposals in 1999 (*A New Contract for Welfare: Children's Rights and Parents' Responsibilities*, Cm 4349, London: HMSO, 1999). There was also an inquiry by the House of Commons Social Security Committee, *The 1999 Child Support White Paper*, Tenth Report Session 1998/99, HC 798, London: HMSO, 1999.

[7]J. Bradshaw, C. Stimson, C. Skinner, and J. Williams, *Absent Fathers?* (London: Routledge, 1999), and "Nonresident Fathers in Brit-

ain," in *Changing Britain: Families and Households in the 1990s*, ed. S. McRae (Oxford: Oxford University Press, 1999). The research was funded by the Economic and Social Research Council (with supplementary funding from the Department of Social Security) as part of the program of research on Population and Household Change in Britain. (See S. McRae, ed., *Changing Britain*, pp. 404–26.)

[8]Bradshaw and Millar, *Lone Parent Families*.

[9]This is higher than the proportion reported paying by samples of lone mothers, probably because of misreporting by fathers or mothers, and/or bias in our sample.

[10]Child Support Agency, *Quarterly Summary Statistics* (London: HMSO, 1999).

[11]J. Bradshaw, C. Skinner, and J. Williams, "Impact of the Proposed Child Support Scheme on Nonresident Parents," unpublished paper, University of York, 1998.

[12]Note that what they were paying is not the same as what they should have been paying under the Child Support Act. In fact, by the time they were interviewed only 23 percent had been assessed by the CSA. And if the new scheme were introduced tomorrow, none of these fathers would immediately experience the actual changes in their child support.

[13]The qualitative work demonstrated that there are other reasons for the obligation to be regarded as legitimate, e.g., where the mother is viewed as being entitled because she is the primary caregiver, or where the father feels a need to compensate for his past misdemeanors.

[14]J. Walker, *Staying in Touch*, Family Policy Studies Centre Bulletin, November 1996.

[15]J. Finch, *Family Obligations and Social Change* (Cambridge: Polity Press, 1989), p. 243.

[16]A. Corden, *Making Child Maintenance Regimes Work* (London: Family Policy Studies Centre, 1999).

[17]*A New Contract for Welfare*, quotations, pp. 45, 47.

[18]*A New Contract for Welfare*, p. 18.

[19]*A New Contract for Welfare*, pp. 57, 40.

[20]This is the conclusion of similar research undertaken in New Zealand. See S. Uttley, "Child Support: The Limits of Social Policy Based on Assumptions of Knavery," *Social Policy and Administration* 33, no. 3 (1999): 552–56.


## *Economic Conditions and Welfare Reform*

**Sheldon H. Danziger, Editor**

This new book addresses three critical questions arising from the federal and state welfare reforms of the past five years: 1. Why are welfare caseloads falling? 2. How are welfare recipients faring? 3. How are the states responding?

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*Economic Conditions and Welfare Reform* originated in a conference held in November 1998, under the sponsorship of the Joint Center for Poverty Research and the Office of the Assistant Secretary for Planning and Evaluation at the U.S. Department of Health and Human Services. Contributors include Timothy J. Bartik, Rebecca M. Blank, Maria Cancian, Howard A. Chernick, Sheldon H. Danziger, Randall W. Eberts, David N. Figlio, Robert H. Haveman, Harry J. Holzer, Thomas Kaplan, Philip B. Levine, Therese J. McGuire, Daniel R. Meyer, Robert A. Moffitt, LaDonna A. Pavetti, Geoffrey L. Wallace, Barbara L. Wolfe, and James P. Ziliak.

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Focus

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**Understanding Poverty: IRP Conference, May 2000**

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ISSN: 0195-5705

# Understanding poverty: Progress and problems

*This issue of Focus is largely devoted to the papers delivered at a national conference held in Madison, Wisconsin, in May 2000, designed to take a comprehensive look at the progress made since the nation declared war on poverty in 1964. The essay that follows is by two of the conference organizers.*

Sheldon H. Danziger and Robert H. Haveman

Sheldon H. Danziger is Henry J. Meyer Collegiate Professor of Social Work and Public Policy at the University of Michigan and chair of IRP's National Advisory Committee. Robert H. Haveman is John Bascom Professor of Economics and Public Affairs at the University of Wisconsin–Madison and an IRP affiliate.

In the mid-1960s, America experienced a long period of sustained economic growth, rising real wages, and low unemployment. The fruits of prosperity were widely visible in the period between the Korean and Vietnam wars. Academic and popular writings drew attention to those who were not benefitting from that prosperity and evoked a strong public and political response. Within a few years, new legislative and administrative initiatives, linked under the rubric of the "War on Poverty," dramatically transformed the federal budget and the scope of the nation's social welfare policies.

As we write in early 2001, the nation has again experienced a period of sustained prosperity. But the initiatives occupying center stage are very different from those of the 1960s; they encompass reductions in inheritance taxes, broad-based income tax relief, maintenance of social insurance and medical benefits for an aging population, and new obligations upon welfare recipients. Anti-

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Edited by Jan Blakeslee.

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poverty policy at the end of the century had achieved one vision of the planners of the War on Poverty—a substantial set of income supports was in place for the working poor, regardless of where they lived or their marital status. However, the vision of universal support for the nonworking poor had been strongly rejected—cash support for the welfare poor was less extensive and less generous than it had been in 1969. Even though income and wealth inequality were higher than they had been a quarter-century before and poverty was no lower, there was little discussion among policymakers or the public about a government strategy to reduce these disparities.

American understanding of the complex problems of poverty and inequality has changed substantially over the past quarter-century. These changes have reflected both the evolution of research on poverty and the directions in which the level and composition of poverty have changed. These trends, and the associated changes in thinking, are mirrored in four volumes sponsored by the Institute for Research on Poverty: *Progress Against Poverty* (1975), *A Decade of Federal Antipoverty Programs* (1977), *Fighting Poverty* (1986), and *Confronting Poverty* (1994).[1]

Each of the volumes reflected particular concerns from its time. Community action programs, a guaranteed income, and legal services all constituted important topics of poverty research and policy in the late 1960s and early 1970s. All represented attempts to increase the power and voice of the poor and/or make it easier for needy individuals to maintain their incomes. By the mid-1980s, however, both poverty researchers and policymakers endorsed reforms that required the poor to take greater responsibility for their own well-being through increased work effort and support for their children.

All volumes addressed questions that have persisted across the decades, sometimes in different forms, and that remain of scholarly interest: Do public assistance programs create adverse incentives regarding work effort, marriage, or childbearing? How do demographic changes affect the poverty rates of specific groups, or the overall composition of the nation's poor population? Do antipoverty policies effectively reduce income poverty? What are the political constraints on the development of effective antipoverty policies?

The papers presented at the May 2000 conference reassess many of these issues. Their reappraisal is a sober one, reflected in the title of the conference itself, which seeks, not to *fight* poverty, nor to *confront* it, but to *understand* it. The optimism of an earlier decade, in which one could argue that "the day of income poverty as a major public issue would appear to be past," finds little expression here.[2] Looking back over the past four decades, the authors tell us how the poor have fared in the market economy and what government programs and policies have accomplished and failed to accomplish. They assess the progress we have made in our understanding of the poverty problem. They draw the policy implications of this improved level of understanding, and present their judgments regarding the issues for further research. They help us understand how a variety of economic, demographic, and public policy changes have affected poverty. Most important, they offer suggestions for changes in programs and policies that would reduce poverty and income inequality.

This issue of *Focus* draws upon these papers and presents some of the main themes that emerged in conference discussions. Of necessity, some subjects discussed at the conference are omitted or underrepresented.[3] Nor do the *Focus* articles concern themselves with questions of future policy. But taken together, we believe, they tell a coherent story about poverty and the forces shaping it in the United States.

The first three articles here review important trends in poverty, income inequality, and mobility over the last four decades, the evolution of income support policy,

# Understanding Poverty

**Sheldon H. Danziger and Robert H. Haveman, editors**

Introduction: The Evolution of Poverty and Antipoverty Policy
*Sheldon H. Danziger and Robert H. Haveman*

**Part I: Trends in Poverty, Inequality, and Mobility**

1. The Level, Trend, and Composition of Poverty | *Gary Burtless and Timothy M. Smeeding*
2. The Evolution of Income Support Policy in Recent Decades | *John Karl Scholz and Kara Levine*
3. United States Poverty in Cross-National Context | *Timothy M. Smeeding, Lee Rainwater, and Gary Burtless*
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5. Changes in Family Structure: Implications for Poverty and Related Policy | *Maria Cancian and Deborah Reed*
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13. Conceptual Issues, Politics, and Race | *Glenn C. Loury*
14. What's the Internet Got To Do with It? | *David Harris*
15. Poverty Research and Poverty Policy | *Jane Waldfogel*

***Understanding Poverty*** (tentative title) containing revised papers from the poverty conference will be jointly published by Harvard University Press and the Russell Sage Foundation.

and the persistence of poverty and its transmission from parents to the next generation.

The articles that follow deepen our understanding of what has occurred. Five articles address the determinants of poverty (changes in family structure and the labor market), then three areas of policy interventions that are intimately linked to the poverty problem—health, education, and welfare policies.

Two articles discuss how various "group" factors contribute to poverty and affect antipoverty policies. Whereas the other articles emphasize an individual's attributes, behaviors, and labor market and family income outcomes, these papers emphasize processes that operate through their effects on groups, neighborhoods, and communities.

Finally, three conference discussants offer their reflections on key issues affecting future research and point to some synergies. How should we conceptualize poverty, and how best to explore its intersection with race? How can we capture the effects of poverty and other forms of disadvantage on children? What might the communications revolution represented by the Internet mean for minorities and the poor? ■

---

[1] *Progress Against Poverty: A Review of the 1964–1974 Decade*, by Robert Plotnick and Felicity Skidmore (New York: Academic Press, 1975); *A Decade of Federal Antipoverty Programs: Achievements, Failures, and Lessons*, ed. Robert H. Haveman (New York: Academic Press, 1977); *Fighting Poverty: What Works and What Doesn't*, ed. Sheldon H. Danziger and Daniel H. Weinberg (Cambridge, MA: Harvard University Press, 1986); *Confronting Poverty: Prescriptions for Change*, ed Sheldon H. Danziger, Gary Sandefur, and Daniel H. Weinberg (Cambridge, MA: Harvard University Press, 1994).

[2] Quotation from Haveman, ed., *A Decade of Federal Antipoverty Programs*, p. 18.

[3] There is, for example, no discussion here about poverty among immigrants, nor any discussion of U.S. poverty in a comparative international perspective. A special issue of *Focus* on immigrants, the labor market, and the welfare system appeared as volume 18, no. 2 (Fall/Winter 1996–97). International comparative perspectives will be discussed in the next issue of *Focus*, volume 21, no. 3.

# The level, trend, and composition of poverty

*Official statistics suggest that the poor have become more numerous and their poverty more intense since the 1970s. But this conclusion depends on the way we measure changes in consumer prices, how we account for in-kind income and refundable tax credits, and whether we adopt a new measure of poverty.*[1]

Gary Burtless and Timothy M. Smeeding

Gary Burtless is a Senior Fellow at the Brookings Institution, and Timothy M. Smeeding is Maxwell Professor of Public Policy and Professor of Economics and Public Administration, Syracuse University. Both are IRP associates.

## Measuring poverty

Measuring poverty in rich nations involves comparing some index of household well-being or economic resources with household needs. When command over economic resources falls short of needs, a household (or person or family) is classified as poor.

From a practical standpoint, measures of resources must be based on regularly available data of reasonable quality, and they must document the level and trend in poverty across a wide range of subpopulations. That aside, there is clearly no single way to measure such a multidimensional concept as poverty, which reflects many forms of deprivation, both economic and social.[2]

Particularly in nations like the United States where there is heavy reliance on the market to provide such essential services as health care, postsecondary education, and child care, money income is a crucial resource. The official measure of American poverty is defined in terms of personal or family income. Persons and families with incomes below a set of official poverty thresholds are classified as poor; those with incomes above official poverty thresholds are classified as nonpoor. Under this conception of poverty, a poor person is one whose income places him or her below a level of minimally adequate resources.

The U.S. Bureau of the Census has tracked and published statistics on the distribution of cash income under a standard income definition since shortly after World War II, even before there was a widely accepted definition of American poverty. The Bureau's principal measure of income includes before-tax cash income from all sources except gains or losses on the sale of property. This definition includes gross wages and salaries, net income from the operation of a farm, business, or partnership, pensions, interest, dividends, and government transfer payments that are distributed in the form of cash, including social security and public assistance benefits. This measure of resources is not comprehensive, as it ignores, among other things, all sources of noncash income, including food stamps, housing subsidies, and government- and employer-provided health insurance, and it does not account for taxes paid.

Because of these flaws in the official measure of resources, in this article we make use of three different measures of resources in determining whether individuals, families, or households are poor. We use (1) the Census Bureau's official income definition; (2) a definition that adjusts for taxes and near-cash income such as the value of food stamps, and (3) a definition that also includes an estimate of out-of-pocket medical spending. The last two measures are closely linked to recommendations for improving the official poverty measure that were made in 1995 by a National Research Council (NRC) panel on poverty statistics and that have been widely discussed.[3]

The percentage of people or families who are poor cannot be calculated using income alone. To determine who is poor, income must be compared with some kind of poverty standard reflecting a family's needs. Such poverty standards may be absolute or relative. Absolute standards (or thresholds) are defined in terms of a fixed level of purchasing power sufficient to buy a bundle of basic necessities. Relative standards, in contrast, are defined in terms of the typical income or consumption level in the wider society. The purchasing power of a relative standard will change over time as society-wide income or consumption levels change.

The poverty thresholds annually calculated by the Census Bureau are, essentially, absolute: they provide estimates of the incomes necessary for persons or families in different circumstances to purchase a minimally adequate level of consumption.[4] The most important circumstance affecting income needs is family size—larger families need higher incomes than smaller ones. In 1998, for example, the weighted-average poverty threshold for a typical single person (referred to as an "unrelated individual" by the Census Bureau) was $8,316. The poverty threshold for a family with four members was $16,660, almost exactly twice that for one person.

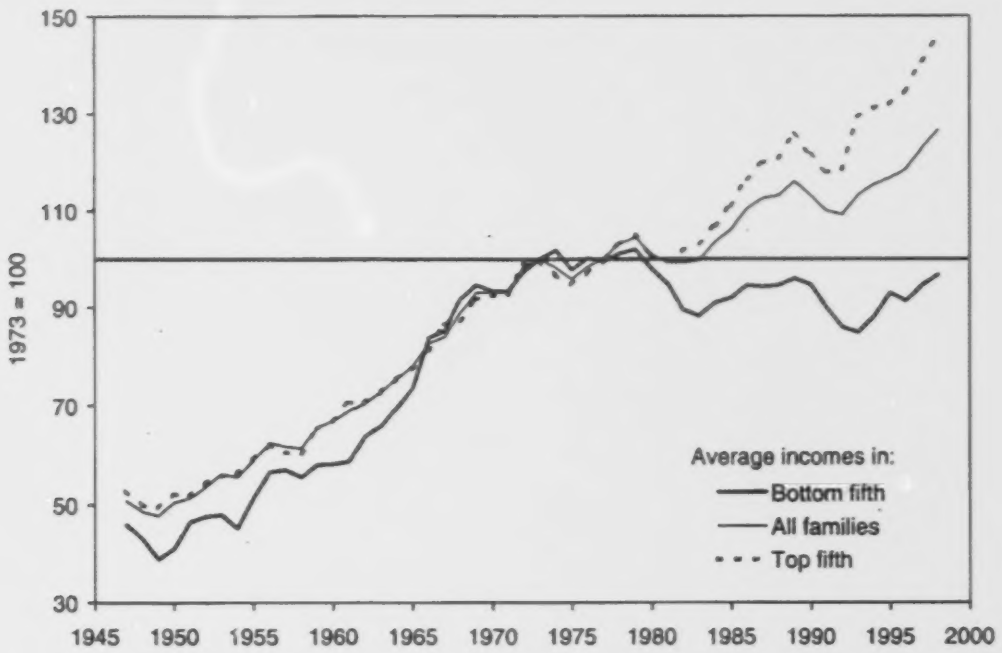


**Figure 1. Trend in real average family income, 1947–1998.** Average income for these three groups in 1973 is normalized to 100. Thus a value of 50 for the top quintile in the 1940s indicates a real income that was half its value in 1973.

**Source:** U.S. Census Bureau, Historical Income Tables—Families.

## Measuring inequality

Whereas poverty tells us about the absolute well-being of those at the bottom of the income distribution, inequality tells us how those at the bottom are faring relative to the rest of the population. A common way to measure inequality is to calculate the percentage of total income received by families in different parts of the income distribution.

The Census Bureau, for example, calculates the income rank of every family, ranks families from lowest to highest, and then divides families into five equal-sized groups. In 1998, the one-fifth of families with the lowest incomes received 4.2 percent of total income. Families in the highest one-fifth received 47.3 percent of all income. If incomes were distributed equally across the five groups, each fifth of the distribution would receive exactly 20 percent of aggregate income.[3]

Figure 1 shows the trend in real family income after 1947, both average cash income and average cash incomes received by families in the top and bottom fifths of the annual income distribution. From World War II until the mid-1970s, the relative position of all families—those at the bottom, top, and middle of the income ladder—improved more or less in tandem. From 1970, the average incomes of high-income families have grown substantially, except for 1987–93, when all incomes shifted down. In contrast, the average incomes of the bottom group fell until 1993, and are only now climbing back to the 1970s level.

## The trends in poverty

The prevalence of poverty in the United States, according to the three measures of income defined earlier, is tracked in Figure 2. As measured by the official U.S. government poverty rate (the thick line in Figure 2), poverty fell steeply in the decade after 1959, reached an all-time low in 1973, and then increased in the early 1980s and early 1990s.

The sharp increases in poverty in 1979–83 and in 1989–93 were connected to the recessions that occurred in those years, but the magnitude of the increase was a surprise to most economists. More surprising still was the failure of the poverty rate to fall back to the level reached in the 1970s, even after prolonged economic expansions in the 1980s and 1990s. The recessions of the 1980s and 1990s were accompanied or soon followed by large increases in income inequality. Even when average incomes rose in the economic expansions of these decades, the share of income received by low-income households stagnated or declined. In the 20 years after 1978, poverty

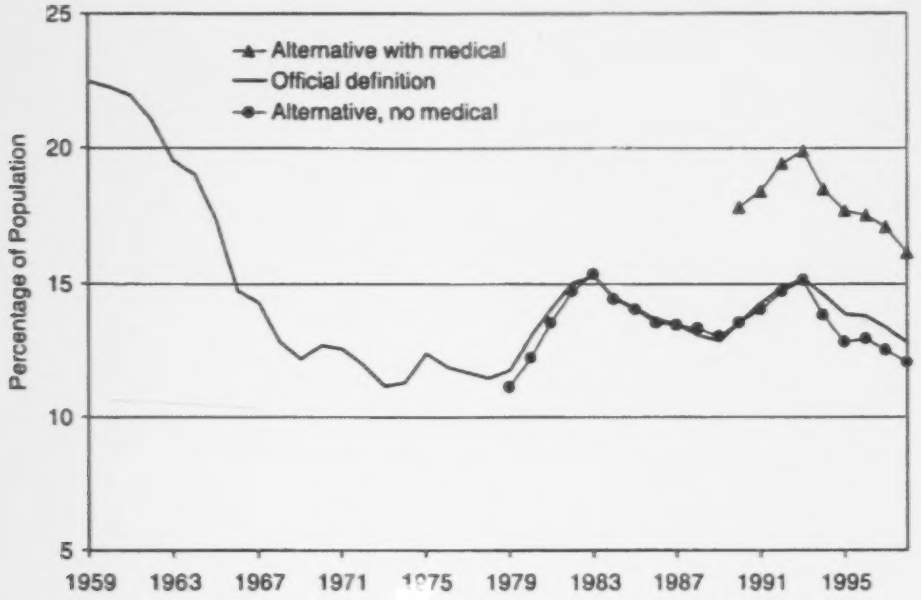


**Figure 2. The poverty rate under alternative definitions of poverty, 1959–1998.**

Option 1 = alternative, no medical; option 2 = alternative with medical.

**Source:** U.S. Census Bureau and authors' tabulations of 1980–1999 March CPS files.

climbed from 11.4 percent to 12.7 percent of the population, according to the official measure.

Part of this apparent increase may be an artifact of the measurement methods used by the Census Bureau. In particular, poverty rates are sensitive to the price index used when the official thresholds are updated to reflect changes in the cost of living. Most economists believe that the index used—the Consumer Price Index for All Urban Consumers—overstated increases in consumer prices in many of the years after 1959. If the reformed index now used by the Bureau of Labor Statistics to measure price change had been used in the past, the poverty thresholds would have increased more slowly. The number of Americans with incomes below the poverty line would then have been smaller, and the real income trends in Figure 1 would have been more favorable after 1973.

Setting aside the accuracy of the index to which it is linked, the official definition of income poverty has a number of serious deficiencies. As we noted earlier, it is based on a definition of income that ignores all noncash government transfers, even though many noncash transfers help pay for basic necessities, such as food, shelter, and medical care. The official income measure makes no allowance for income and payroll taxes, which reduce household resources available to pay for necessities. Because the impact of the tax system is ignored, income for some low-income working families with children may be seriously understated; these families are eligible for tax credits, such as the Earned Income Tax Credit (EITC), that can significantly boost the family's access to economic resources.

The official definition also makes no distinction between sources of income that are costly to earn, such as income from wages, and those that have little or no direct cost to the recipient, such as pensions and dividends. In calculating the income produced by a job, the official definition ignores the significant costs associated with getting to work and paying for child care when all adults in a household are employed.

If we use a broader definition of income, following the recommendations of the 1995 NRC panel to include near-cash benefits and refundable tax credits, the poverty rate in 1997 drops from 13.3 percent (under the official definition) to 11.1 percent, using the official poverty thresholds. If at the same time we subtract an estimate of work-related expenses from countable income, measured income declines and the poverty rate increases again slightly.[6] (This is option 1 in Figure 2.)

The NRC panel's most controversial recommendation was to subtract out-of-pocket spending on medical care from household income. Because such spending is often burdensome, this procedure substantially increases the number of poor, especially the elderly and disabled. The Census Bureau estimates that subtracting medical spending from the official definition of countable income would have increased the 1997 poverty rate from 13.3 percent to 16.3 percent.[7] (This is option 2 in Figure 2.)

Table 1
Sources of Net Income among People Who Are Poor under Alternative Poverty Line and Two Income Concepts, 1998[a]

| Income Concept or Component of Net Income | Market-Income Poor (1) | Poor after Taxes, Transfers, Work and Medical Expenses[b] (2) |
|---|---|---|
| Market income | 35 | 48 |
| Taxes (except EITC) | -3 | -5 |
| Social insurance | 50 | 16 |
| Means-tested transfers (including EITC) | 22 | 20 |
| Out-of-pocket medical spending | -18 | -25 |
| Total income of poor, ignoring medical spending | 104 | 78 |
| Total income of poor, subtracting medical spending | 86 | 53 |
| *People below poverty threshold (millions)* | *57.6* | *43.6* |
| *% of population in each category* | *21.3%* | *16.1%* |

Source: Authors' tabulations of March 1999 CPS files.

[a]Each element of income is measured as a percentage of the poverty threshold (set at 100 percent) for people who are poor according to that concept.

[b]The poverty thresholds are derived from the Census Bureau's estimates of the food, clothing, and shelter consumption patterns of the median reference family, updated to 1998 using the CPI-U and the 3-parameter equivalence scale described by Short and colleagues, *Experimental Poverty Measures, 1990–1997.*

### The income-to-poverty-line ratio

Assuming, for the present, that the U.S. poverty thresholds accurately measure the different consumption requirements associated with different family sizes and compositions, the thresholds offer a convenient benchmark for assessing a family's income. Each family's income can be divided by its poverty threshold to determine how far its income falls short of or exceeds minimum consumption requirements (this ratio is known as the income-to-poverty-line ratio). Families with an income that is one-half the threshold must see their incomes double in order to pay for a minimum consumption basket. Families with incomes more than three times the poverty threshold can comfortably pay for their minimum consumption needs and still have money left over to buy other goods and services.

The median income-to-poverty-line ratio in 1998 was 3.09. For a family containing three members, this was equivalent to an annual income of about $40,200.

### The poverty gap

In 1998, 7.2 million families and 8.5 million unrelated individuals (in all, about 34.5 million people, or 12.7 percent of the population) had pretax cash incomes below the official poverty thresholds.[8] The average family or individual in this group had an income that was only 54 percent of the poverty threshold. This family would need $5,350 in extra annual income to reach the poverty line. In the aggregate, then, about $83.8 billion—or 1 percent of Gross Domestic Product (GDP)—would be needed to eliminate cash poverty in the United States, if all of it could be accurately directed ("targeted") toward only those with incomes below the poverty line.[9] The difference between poor families' actual incomes and the incomes needed for all of them to reach the poverty line is usually called the "poverty gap." Under all three definitions of poverty, the poverty gap is roughly 1 percent of GDP.

## The sources of income of the poor

Table 1 sheds light on the income sources of the poor. We examine two groups of people who are poor under very different definitions of income.

The first group consists of those who are poor if only their *before-tax market incomes* are counted in determining their poverty status. This group of people is often referred to as the "pretax and pretransfer poor." Market incomes include pretax wages, salaries, self-employment income, pensions (except social security), interest, dividends, and capital gains and losses. (Note that this is not the same as the official Census definition of income, because it does not include transfer income.) This group comprises 21.3 percent of the American population.

The second group consists of those who are poor after taxes and some work expenses are subtracted, transfers added, and an estimate of their out-of-pocket medical expenses is also subtracted from market income. This group comprises about 16 percent of the population.

Each element of income is measured as a percentage of the person's poverty threshold. The poverty thresholds that we use in Table 1 as a measure of poverty for these two groups are not the official thresholds, but are a set of alternative poverty thresholds developed in part by the Census Bureau on the basis of recommendations by the NRC panel. We use these alternative thresholds because we believe they offer a more defensible measure of deprivation than the official thresholds.

Not surprisingly, the average market income of poor households who are poor because their market incomes are below the poverty line (those in column 1) is very low. This group includes the elderly, who have little or no earned income, as well as families with children and single people with very low earnings. Social insurance payments, which are primarily targeted to the elderly, and means-tested transfers, which are primarily targeted to families with children, are important income sources for these families and individuals. Market income averages barely one-third of a poverty-line income, whereas social insurance payments average 50 percent and means-tested transfers 22 percent of the poverty threshold among people with market incomes below that threshold.

The population reflected in column 2 consists of those who are poor after taxes and transfers. Since social insurance payments are large enough to remove many elderly families from poverty, the composition of the populations reflected by columns 1 and 2 is quite different. The population reflected in column 2 will have far fewer elderly persons than the population reflected in column 1. It will have more working poor families, as a consequence of including the effects of medical expenses on available resources.

The compositional differences in the populations show up clearly in the table. Average social insurance payments constitute a much smaller fraction of family budgets of the after-tax and -transfer poor than they do for the market-income poor, primarily because there are far fewer elderly in this group. With more working-poor families, market incomes average roughly half the poverty line. Means-tested transfers are about the same as for the market-income poor.

Resources for the poor come primarily from a few sources. Regardless of how poverty is defined, the poor rely on earnings, social insurance, and means-tested transfers. The evolution, magnitude, and antipoverty effectiveness of these programs are the topic of the following article by John Karl Scholz and Kara Levine.

## Conclusion

The healthy economy of the late 1990s helped push down the poverty rate under all three definitions we have considered here. The nation's experience since 1979 suggests, however, that a healthy economy by itself will never reduce the American poverty rate to levels prevailing in northwestern Europe. To achieve a much lower poverty rate without major overhaul of public policy, the United States would need to experience a dramatic—and unlikely—reduction in wage inequality or a sharp reversal in the family composition trends that have prevailed over the past four decades. Changes in public policy that assure good health insurance, provide better incomes to the indigent elderly and disabled, and supplement the earned incomes of working-but-poor breadwinners represent the best hope for achieving large poverty reductions in the near term. ■

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[1]This article draws upon Gary Burtless and Timothy Smeeding, "The Level, Trend, and Composition of Poverty," presented at the IRP conference, Understanding Poverty in America: Progress and Problems, on May 22–24, 2000, in Madison, WI. The revised conference papers will be jointly published by Harvard University Press and the Russell Sage Foundation in a volume tentatively titled *Understanding Poverty: Progress and Prospects*.

[2]Of course, there are other important kinds of resources, such as social capital, noncash benefits, primary education, and access to basic health care, all of which add to human capabilities (see J. Coleman, "Social Capital in the Creation of Human Capital," *American Journal of Sociology* 94 [1988]: S95–S120). These resources may be available more or less equally to all people in some societies, regardless of their money incomes. Other factors aside from the absence of money can reduce well-being by limiting capabilities for full participation in society, including racial discrimination, neighborhood violence, low-quality public schools, and job instability. We do not examine these limiting forces or investigate related topics, such as social exclusion.

[3]Research related to measuring poverty and the revision of the official poverty measure is the subject of *Focus* 19, no. 2 (Spring 1998). The NRC panel also suggested using poverty thresholds based on proportions of a median family's consumption of food, clothing, and shelter, with a "little bit more" for other expenses, in place of the existing official thresholds.

[4]The income thresholds in the official measure of poverty, which was established in the 1960s, are based upon a multiple of the Department of Agriculture's basic food consumption estimates (the "Economy Food Plan" developed in the 1950s).

[5]There is, of course, no fixed relationship between inequality and poverty. Under the right circumstances, even a rise in inequality can be associated with an improvement in living standards at the bottom, if overall income growth is strong enough. Conversely, the share of income going to the bottom fifth of families might jump, but if average incomes in the population at large are shrinking, the real incomes of those at the bottom could still fall.

[6]K. Short, T. Garner, D. Johnson, and P. Doyle, *Experimental Poverty Measures, 1990–1997*, Report P60-205 (Washington, DC: U.S. Census Bureau, 1999), pp. 9–10.

[7]Short and others, *Experimental Poverty Measures, 1990–1997*, p. 11.

[8]Another 48.9 million, or 18.0 percent, had pretax cash incomes between one and two times the poverty thresholds.

[9]As the article in this *Focus* by Scholz and Levine shows, no existing transfer program achieves any such level of accuracy in targeting benefits only to the poor.

# The evolution of income support policy in recent decades

*The aggregate effect of the tax and transfer system on the poverty gap appears almost unchanged between 1979 and 1997. There have been changes in the antipoverty policy mix and changes in the composition of the poor, but there has been very little change in antipoverty spending over the last 30 years; little change in the apparent antipoverty effectiveness of that spending; and little diminution of the poverty problem.*[1]

John Karl Scholz and Kara Levine

John Karl Scholz is Professor of Economics at the University of Wisconsin–Madison and Director of IRP; Kara Levine is a graduate student at the University of Wisconsin–Madison.

U.S. policies for mitigating the unemployment and low earnings that are a concomitant of the market economy have developed against a volatile background of variable economic performance, shifting attitudes toward poverty and welfare, and major changes in the population of the poor. Partly as a consequence, U.S. income support policy is a patchwork of programs with different eligibility standards and benefit formulas. Consistently since 1979, these policies have reduced by about half the high U.S. rates of pretax and pretransfer poverty.[2] The apparent consistency of their effect on poverty rates, however, masks significant changes in policies and programs. And because of the ad hoc development of income transfer policy, it may appear very different to a family in one set of circumstances than it does to a family in another.

Antipoverty programs fall into two main groups, "social insurance" and "means-tested transfers." In this article we briefly categorize the programs and compare their relative effectiveness in reducing poverty.

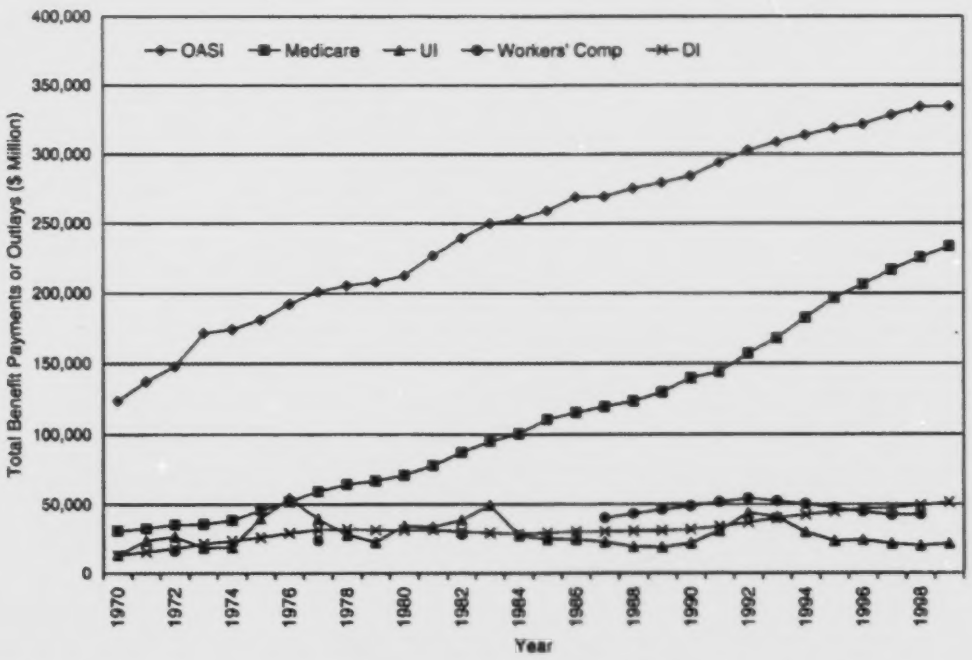


**Figure 1. Total benefit payments of the main social insurance programs, 1970–99 (in constant 1999 dollars).**

**Sources:** OASI: < http://www.ssa.gov/OACT/STATS/table4a5.html >; total annual benefits paid from OASI Trust Fund (all types of benefits). Medicare: *Green Book*, 1998, Table 2.1; total Medicare outlays. Unemployment Insurance (UI): U.S. Budget Historical Tables, Table 8.5. Workers' Compensation: < http://www.nasi.org/WorkComp/1997-98Data/wc97-98rpt.htm > and < http://www.nasi.org/WorkComp/1994-95Data/wc94rpt.htm >, cash plus medical benefits. Disability Insurance (DI): < http://www.ssa.gov/OACT/STATS/table4a6.html >.



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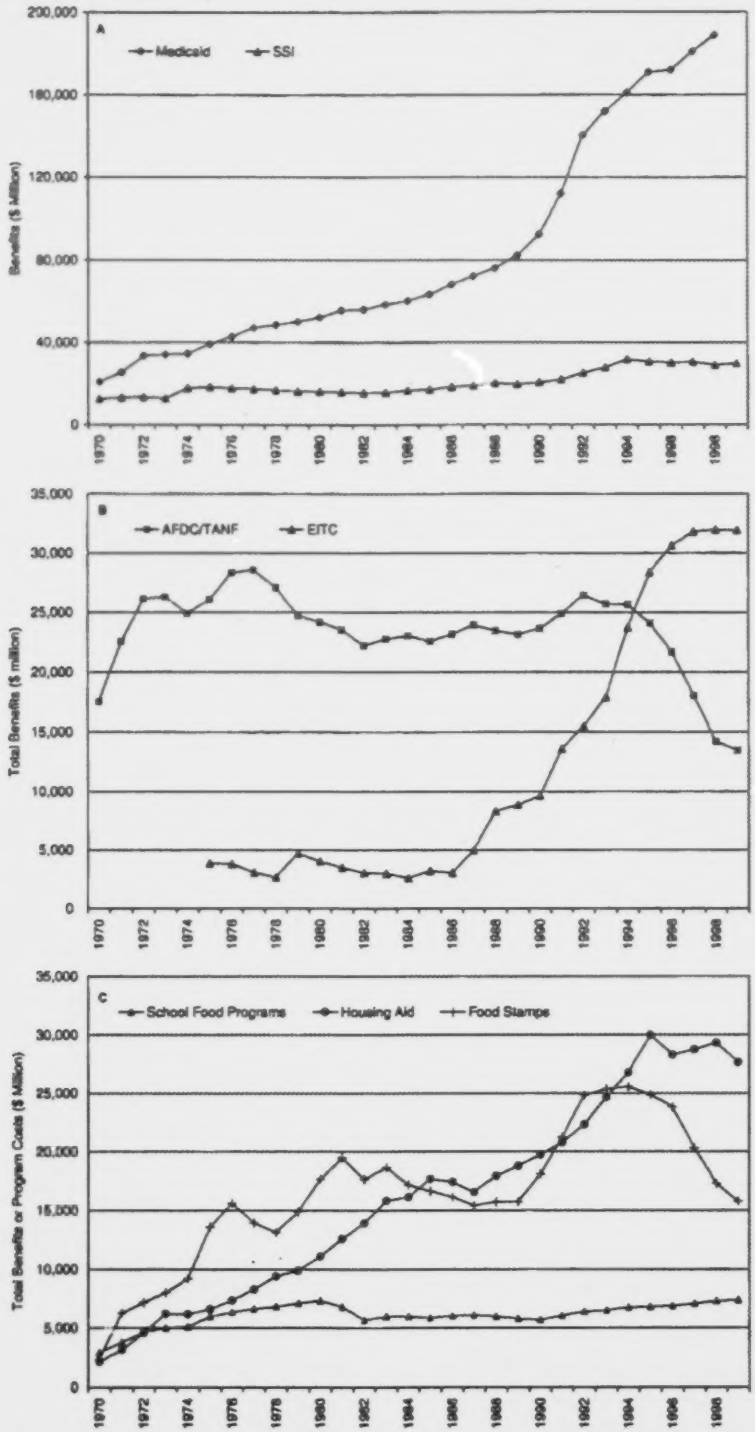


**Figure 2. Total benefit payments of the largest means-tested programs, 1970–99 (in constant 1999 dollars). A. Health care and the disabled; B. Cash transfers for able-bodied families; C. In-kind programs.**

**Sources:** Medicaid, *Green Book*, 1998, Table 15.13; SSI: *Green Book*, 1998, Table 3.24; AFDC/TANF: 1970-96, *Green Book*, Table 7.4; 1997 and 1998: < http://aspe.hhs.gov/hsp/indicators00/T_A_3.pdf > (Cash and Work-Based Activities only); 1999: < http://www.acf.dhhs.gov/programs/ofs/data/q499/table-f.htm >; school food programs: < http://www.fns.usda.gov/pd/cncosts.htm >; housing aid: U.S. Budget Historical Tables, Table 8.7; Food Stamps: < http://www.fns.usda.gov/pd/fssummar.htm >; EITC: V. J. Hotz and J. K. Scholz, "The Earned Income Tax Credit," NBER Conference on Means-Tested Transfers, 2000, forthcoming, ed. R. Moffitt, University of Chicago Press.

## Social insurance programs

Social insurance programs have two distinguishing characteristics. They are universal, in that all individuals or their employers make contributions to finance the programs and all people can receive benefits when specific eligibility requirements are met. They have dedicated funding mechanisms; at least in an accounting sense, social insurance taxes are remitted to trust funds from which benefits are paid.

The major social insurance programs in the United States are social security, Medicare, unemployment insurance, workers' compensation, and disability insurance. Figure 1 shows trends in payments since 1970.

*Social security* (Old Age and Survivors Insurance, OASI) was established in 1935 to meet the needs of older workers leaving the workforce with incomes too small for them to be self-supporting. By far the largest social insurance program, it doubled in size between 1973 and 1999, for several reasons: the number of retired workers covered under the program has increased steadily, the taxable wage base and real earnings have grown, and legislated benefits have frequently exceeded the cost of living.

Over half of social security benefits go to families whose pretax and pretransfer incomes identify them as poor. In 1998 average benefits (including survivors' benefits) were about $9,600. Because the poverty threshold for the elderly in 1998 was $7,818 for a single person and $9,862 for a couple, the program has had a major effect in reducing poverty among the elderly.[3]

The next largest program, *Medicare*, which began in 1967, covers almost all people over 65 and most people under 65 who are receiving social security disability benefits. Real Medicare outlays increased more than sixfold from 1970 to 1999, and real expenditures per enrolled person almost threefold. In 1998, per capita expenditure was $5,810.

Over half of all Medicare benefits go to families whose pretransfer incomes are below the poverty line. It is, however, more difficult to determine the effectiveness of Medicare in ameliorating poverty than it is with social security, because Medicare provides an in-kind benefit (medical care) and insurance, rather than cash.

In recent years, the elderly have typically received between 85 and 90 percent of all payments for both social security and Medicare. Three smaller programs, unemployment insurance, workers' compensation, and disability insurance, target prime-age workers.

*Unemployment insurance* (UI), a time-limited program which allows families to smooth consumption when a worker becomes involuntarily unemployed, has relatively minor antipoverty effects. Perhaps only one-third of job separations for less-skilled men and fewer than 16 percent for less-skilled women meet the eligibility requirements for this program. Even fewer women who previously received welfare have qualified.[4] The size of the UI program will clearly vary with the state of the economy; total payments in 1998 were about $20 billion, compared to nearly $44 billion in 1992, a recession year.

*Workers' compensation* and *disability insurance* (DI), are dwarfed by social security, but are nonetheless large programs—in 1998, workers' compensation payments were $42.6 billion, and in 1999 DI payments were over $50 billion. Benefit levels under workers' compensation vary widely and little is known about their antipoverty effects. DI rules are stringent, and fewer than 50 percent of all applications are granted.

The magnitude and the steady growth of social insurance programs are hardly surprising. Their benefits are predicated upon events that are salient for most Americans—retirement, unemployment, or a disability or work-related injury. They are universal for all contributors—benefits are not asset- or income-tested—and all have dedicated financing mechanisms. It has been argued that social security reduces national saving and hastens retirement, and that UI alters the intensity with which the unemployed search for jobs, but there is little evidence that social insurance programs encourage people not to marry, have children out of wedlock, or spend long periods of time out of the labor market. They are thus in harmony with societal norms of personal responsibility. Social security and Medicare, furthermore, lessen the burden of intergenerational caregiving between grown children and their parents.

## Means-tested transfers

In contrast to social insurance programs, means-tested programs have explicit antipoverty goals. They are directed toward ("targeted upon") the nonelderly poor or upon those who are otherwise disadvantaged. They all have income and asset tests (hence "means-tested"). Some are entitlements—meaning that all who satisfy eligibility requirements receive benefits, regardless of the total cost. Taken together, means-tested programs cost less than the social insurance programs and have had vastly different rates of growth over the past 30 years (see Figure 2).

### Health care and the disabled

*Medicaid*, the largest means-tested transfer program, funds medical assistance to low-income elderly, blind, and disabled individuals, to members of poor families with children under age 18, and to some pregnant women and other children.[5] More than 70 percent of all Medicaid recipients had incomes below the poverty line in 1997; fewer than 10 percent were 65 or older in 1995. Since the

late 1980s, Congress has several times expanded eligibility for the program; its cost doubled in the 1990s. Assessment of the antipoverty effectiveness of Medicaid faces the same difficulties that arise with valuing Medicare: it is difficult to assign a value to a benefit that a person may not use.

The other important means-tested, health-related program is *Supplemental Security Income* (SSI), a federally administered cash transfer program for elderly, blind, and disabled individuals (the last group makes up nearly 80 percent of all recipients). Until 1990 SSI grew very slowly, but between 1990 and 1994 program costs rose 55 percent, making SSI one of the nation's fastest growing entitlement programs. Three groups accounted for nearly 90 percent of this growth: adults with mental impairments, children, and noncitizens.[6] Since 1995 SSI has shrunk in real terms, as efforts have been made to reduce the growth rate of recipiency among children and immigrants. (See Figure 2A.)

### Cash transfers to able-bodied families

*Aid to Families with Dependent Children* (AFDC), the central safety net for poor families from 1936 to 1996, was replaced in 1996 by *Temporary Assistance for Needy Families* (TANF).[7] AFDC was a means-tested entitlement program: all applicants whose income and assets were below state-stipulated levels could receive benefits; matching funds were provided by the federal government. TANF, in contrast, is a set of block grants to states with few restrictions. States are required to spend at least 75 percent of their "historic" level of AFDC spending, a five-year limit is imposed on the receipt of federally supported assistance, and states have to meet certain targets in moving portions of their TANF recipients into work activities.

Since 1993, welfare caseloads have fallen precipitously. In December 1999 only 2.4 million families were receiving TANF, compared to 5 million receiving AFDC in 1993. There are a variety of explanations, including AFDC/TANF changes that began before the 1996 law was passed, the longest economic expansion in U.S. history, sharp increases in work-linked programs such as the Earned Income Tax Credit (EITC), or combinations of these and other factors. The sharp reduction in welfare spending (see Figure 2B) has been roughly proportional to the decline in caseloads.

The *EITC*, a refundable tax credit that began in 1975, encourages low-skilled workers to enter the labor market, since payments are linked to earnings. Whereas real spending on AFDC/TANF fell over the last decade, spending for the EITC has risen sharply (Figure 2B). In 1999, 19.5 million taxpayers benefitted, and federal spending on the program exceeded spending on TANF and food stamps combined by several billion dollars.

### In-kind transfers

The safety net for the poor includes a set of in-kind benefits. The largest programs are food stamps, housing assistance, Head Start, and two nutrition programs: school nutrition programs and the special supplemental program for women, infants, and children (WIC).

The country's single almost-universal entitlement program for people with low income and assets is *food stamps*. The program grew substantially, though not steadily, during its first two decades; the pattern of growth, retrenchment, and more growth largely reflected changing legislative policy. After 1994, real food stamp expenditures fell 38.3 percent, a decline far steeper than the declines in overall poverty rates or in child poverty. Between 1994 and 1997, the fraction of children living in poverty-level families receiving food stamps fell from 94 to 84 percent, suggesting that there are new holes in the safety net. (See Figure 2C.)

Unlike food stamps, *housing assistance* has never been an entitlement. Eligibility is based on family characteristics and income, and space is allotted on a first-come, first-served basis, although preference is given to families that are homeless, living in substandard housing, involuntarily displaced, or paying more than 50 percent of their incomes in rent. Waiting lists are common. Since 1982, the bulk of the aid has come in the form of subsidies to enable households to rent units in the existing private housing stock. Housing assistance peaked at about $30 billion in 1995; since then it has fallen slightly (see Figure 2C).

The other four programs are all considerably smaller; they have slightly increased over the last decade. There are three nutritional programs—the *school breakfast* and *school lunch* programs, and *WIC*. The school programs are entitlement programs, with a total expenditure of about $7.4 billion in 1999. WIC, which is not an entitlement, provides food assistance, nutrition risk screening, and other nutrition-linked services to low-income pregnant women and to low-income women and their children up to age 5. It served 7.3 million women and children in 1999, at a cost of nearly $4 billion. *Head Start*, which is not an entitlement, provides a range of services to children under 5 and their families. Its goals are to improve the social competence, learning skills, and nutritional status of low-income children so that they can begin school on an equal basis with more advantaged peers. About 850,000 children were enrolled in 1999, at a total cost of $4.7 billion.

### Child care and child support

Several federal programs, most created since 1988, provide child care subsidies for low-income parents; they are part of the general trend toward work-based assistance rather than welfare. Spending on these programs

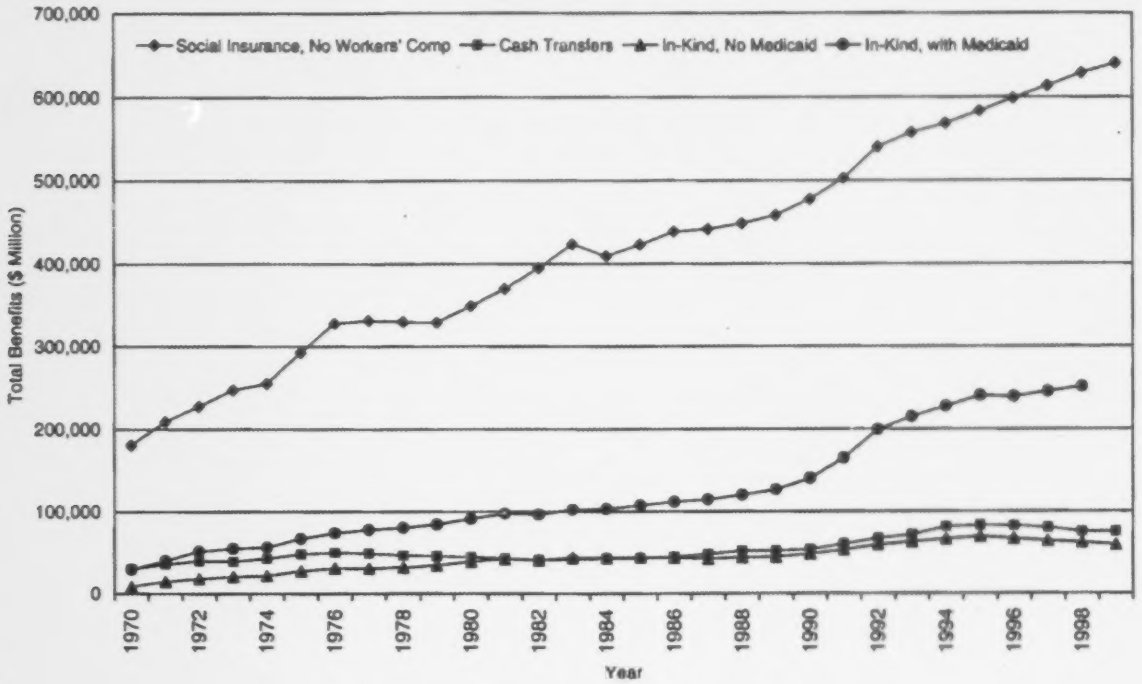


**Figure 3. Total social insurance, cash, and in-kind means-tested transfers (in constant 1999 dollars).**

**Source:** Figures 1 and 2, summarized data; WIC data: < http://www.fns.usda.gov/pd/wisummary.htm >; Head Start data: < http://www2.acf.dhhs.gov/programs/hsb/research/99_hsfs.htm >.

has increased in the last few years, but the number of children receiving services has remained essentially unchanged at about 1.4 million, and the antipoverty effects of the programs are unknown.

The Child Support Enforcement and Paternity Establishment Program (CSE) began in 1975 to aid custodial parents in collecting child support from noncustodial parents. Part of the impetus for the program was to replace public welfare benefits with parental support, but all custodial parents, not just poor parents, are now entitled to assistance. In 1996, federal welfare reform legislation consolidated federal child support funds into TANF block grants, imposed more stringent requirements on the performance of state-run CSE programs, and established a national integrated, automated network to improve the ability of states to locate noncustodial parents. Collections and costs have risen substantially, but the percentage of custodial parents receiving support (37.4 percent in 1995) and the average size of the payment have remained fairly constant. Child support appears to have small antipoverty effects, though these may be growing.

## The effects of antipoverty policy

Both social insurance and means-tested programs increased in the 1990s at an annual rate of about 4 to 4.5 percent, significantly faster than they grew in the 1980s (Figure 3). The expansion of social insurance has been driven by rapid increases in the cost of social security and Medicare, that of means-tested programs by the EITC and housing programs.

How has this wide and growing array of programs affected poverty? And which programs have been more effective? One way to approach this important but complex issue is to examine the degree to which particular programs have affected the poverty gap, defined as the sum of the differences between market income and the poverty line for all families with incomes below the poverty line. Such an analysis has been undertaken at intervals by Daniel Weinberg, using primarily the Survey of Income and Program Participation.[8] Our work updates his, and like his does not take into account behavioral responses to different programs. In the absence of social security, for example, some elderly people would continue to work in the paid labor market, thus reducing pretax and pretransfer poverty. Our calculations, therefore, provide an upper bound on the magnitude of the poverty gap and the antipoverty effectiveness of different programs.

We emphasize four questions:

- How large is the poverty gap, and how has it changed since 1979?

Table 1
The Antipoverty Effectiveness of the Tax and Transfer System for Families of Different Types, April 1997

| | Elderly Families | Nonelderly Families | | |
|---|---|---|---|---|
| | | Single-Parent | Two-Parent | Childless |
| Number of Families (in millions) | 21.9 | 11.3 | 26.0 | 52.1 |
| Poverty Gap (in millions) | $6,275 | $4,308 | $2,638 | $6,389 |
| Total Transfers (in millions) | $35,616 | $6,894 | $5,603 | $10,930 |
| To pretransfer poor | 53.2% | 76.6% | 49.1% | 51.8% |
| Used to alleviate poverty | 17.5% | 49.2% | 29.3% | 26.9% |
| Poverty Gap Filled | 99.1% | 78.8% | 62.2% | 45.9% |
| Poor, after Taxes and Transfers | 1.0% | 17.5% | 6.5% | 13.8% |

Source: Authors' calculations from the 1997 Survey of Income and Program Participation (waves 4 and 5).

- How effective are current programs in filling the poverty gap?
- How has the antipoverty effectiveness of the tax and transfer system changed over time?
- What are the differential effects of public policies on different demographic groups—the elderly, one- and two-parent families, and families without children?

### The poverty gap

Because most programs determine eligibility on a monthly basis, we measure the poverty gap for a single month. In our calculations, we set aside the income tax (except for the EITC), because low-income families pay very little or none. But we do reduce earnings by 7.65 percent to account for the employee's share of the payroll tax.

Valuing noncash benefits is challenging. We value food stamps at cost to the government, Medicaid at about the cost of a typical HMO policy, and Medicare at about 2.5 times the average cost of a fee-for-service plan.[9] We use Fair Market Rent data from the Department of Housing and Urban Development to estimate the value of in-kind housing benefits.

Counting "unrelated individuals" as one-person families, we estimate that in April 1997, 29 percent of families had pretax and pretransfer incomes below the poverty line, and that the total pretax and pretransfer poverty gap was $19.6 billion. Weinberg's poverty gaps for 1979 and 1984 are strikingly similar: $19.7 billion and $19 billion, respectively, when adjustments are made for the larger number of families in 1997.[10] This result is consistent with the stubborn persistence of poverty rates that we and other authors have documented.

### Filling the poverty gap

In April 1997, all social insurance and means-tested benefits amounted to $59 billion, or an average of just over $1,000 to each recipient family. Of the total amount, 55 percent went to families with pretransfer incomes below the poverty line.[11] Only about a quarter of the total amount went toward alleviating poverty, as we have earlier defined it, filling 72 percent of the poverty gap.

Because they are universal, the major social insurance programs—social security (including DI), Medicare, UI, and workers' compensation—are not well targeted. Roughly half of recipients have incomes below the poverty line, and only about a third of total benefits go toward closing the poverty gap. But the programs are so huge that they have a large effect on poverty rates.

Among the larger means-tested programs (those over $1 billion), which are by definition the most tightly targeted toward the poor, more than 78 percent of benefits contributed directly toward reducing the poverty gap.

### The antipoverty effectiveness of the tax and transfer system

When we compare our results for 1997 with those of Weinberg for 1979 and 1984, we find extraordinary stability in the antipoverty effects of the tax and transfer system, despite the variability in programs and costs that emerges clearly in Figure 2. In each of these years, transfers fill just over 70 percent of the poverty gap.[12] This stability reflects both stagnant real incomes and stable trends in antipoverty spending. But if society's goal is the elimination of income poverty, the lack of progress is unsettling.

### The differential effects of public policies

Table 1 highlights gaps in the safety net by focusing on four types of families: the elderly, and nonelderly single-parent, two-parent, and childless families. Transfers to the elderly (primarily social security payments) are both well targeted and virtually eliminate the poverty gap. Transfers are also are effectively targeted to *poor* single-parent families, who receive three-quarters of all benefits that go to single-parent families. Nevertheless, the after-transfer poverty rate of this group remains very high, 17.5 percent.

Poor two-parent families and younger childless families receive less than half of all benefits to these groups. For two-parent families this is less of an issue—the overall poverty rate of this group is low. But poverty remains high among younger childless families, who have few sources of public assistance other than food stamps, unless some family member is disabled.

## The future of income support policy

Between 1971 and 1998, total spending on all cash and in-kind transfers (excluding social insurance and Medicaid) ranged between 1.3 and 1.9 percent of the Gross Domestic Product. What explains this stability, in the face of persistent and high poverty rates?

Public indifference is not a good explanation for the persistence of poverty. When asked, the majority of Americans consistently state that we are spending too little on assisting the poor. More important, we think, are two other reasons. First is the widespread perception that we do not know what works. There exists considerable frustration over well-intentioned policies that, in the public view, worsened the problems they sought to solve. A second reason is the fiscal policy climate over the last three decades. It has been, bluntly, a mess. The 1970s were characterized by "stagflation," the simultaneous problems of high unemployment and inflation. In the 1980s and much of the 1990s, economic policy was dominated by enormous, seemingly perpetual budget deficits.

Now, both factors have changed. The June 2000 budget estimates forecast a 10-year, $1.2-trillion surplus. There is also a large and growing body of evidence that work-based strategies like the EITC and some welfare-to-work state programs, such as the Minnesota Family Investment Program and the Canadian Self-Sufficiency Project, can have positive effects on labor market participation, although they are no panacea for poverty. We believe that such programs should be aggressively expanded and evaluated.

At the same time, the safety net now provides less than it has for decades to families with children in which the adults, for one reason or another, are unable to work. TANF has a five-year time limit, and food stamp participation has plummeted. Consequences are not yet widely visible, because few families have reached their time limit and the economy remains strong. States have largely been ceded the responsibility of caring for the country's most disadvantaged citizens; they must also be given the resources to do so. So far, TANF block grants appear to have been adequate, but it is imperative that they remain so during periods of weaker economic performance.

Merely reshuffling funding is not enough. In a time of unprecedented prosperity, the failure to make new investments will result in large numbers of children growing up in households unable to afford adequate food, shelter, and activities that can enrich their lives. The consequences could be dire: an erosion of social cohesion, a waste of the human capital of a large portion of the citizenry, and the moral discomfort of condoning poverty amid affluence. ■

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[1]This article draws upon John Karl Scholz and Kara Levine, "The Evolution of Income Support Policy in Recent Decades," presented at the IRP conference, Understanding Poverty in America: Progress and Problems, on May 22–24, 2000, in Madison, WI. The revised conference papers will be jointly published by Harvard University Press and the Russell Sage Foundation in a volume tentatively titled *Understanding Poverty: Progress and Prospects*.

[2]See the article by Gary Burtless and Timothy M. Smeeding, "The Level, Trend, and Composition of Poverty," in this *Focus*.

[3]On a lifetime basis, recent research suggests, social security may do less to redistribute resources from high- to low-income households than the targeting of benefits in a single year would suggest. See, for example, J. Coronado, D. Fullerton, and T. Glass, "The Progressivity of Social Security," Working Paper 7520, National Bureau of Economic Research, 2000.

[4]C. Gustafson and P. Levine, "Less Skilled Workers, Welfare Reform, and the Unemployment Insurance System," Working Paper 6489, National Bureau of Economic Research, 1998.

[5]The program is discussed in more detail in the article by John Mullahy and Barbara Wolfe, "Health Policies for the Nonelderly Poor," in this *Focus*.

[6]A major contributor to growth was the Zebley decision, a Supreme Court case that revised the childhood mental health eligibility criterion to be consistent with the criterion applied to adults.

[7]The programs are discussed in greater detail in an article in this *Focus* by Pavetti.

[8]D. Weinberg, "Filling the Poverty Gap: Multiple Transfer Program Participation," *Journal of Human Resources* 20 (1985): 64–89; "Filling the 'Poverty Gap': 1979–84," *Journal of Human Resources* 22 (1987): 563–73; "Poverty Dynamics and the Poverty Gap, 1984–86," *Journal of Human Resources* 26 (1991): 535–44.

[9]On Medicaid, see J. Gruber, "Medicaid," Working Paper 7829, National Bureau of Economic Research, 2000; data for Medicare come from the Kaiser Foundation, 1999 Annual Employer Health Benefits Survey, on the World Wide Web at http://www.kff.org/content/1999/1538/ . Results are quite insensitive to price assumptions.

[10]For 1986, the outlier year, the poverty gap was $16.9 billion.

[11]If a family has a poverty gap of $1, and the program provides them with $1,000 in benefits, only $1 of benefits would be counted as reducing the poverty gap.

[12]Weinberg does not value in-kind benefits in 1986.

# Mobility, persistence, and the intergenerational determinants of children's success

*Long-term childhood poverty would be less worrying if we believed that childhood economic disadvantages had small effects on children's futures. But the new evidence suggests that 16–25 percent of the variation in children's long-run permanent incomes is due to the transmission of economic inequality from parents to children.*[1]

Mary Corcoran

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Of all industrialized nations, the United States has the highest level of income inequality.[2] But most U.S. residents are less concerned about whether people have equal incomes than whether they have equal opportunity to improve their economic status ("mobility"). Mobility is viewed as a race in which many contestants compete on an equal basis. As long as the contest is fair, any resulting inequality is seen as the price of living in an open and mobile society.

Is U.S. society as open and fair as people generally believe? One way to assess this is to measure mobility within and across generations, and to see who succeeds and who does not. To do so, researchers must use longitudinal data that track income trajectories and poverty status for the same individuals and families over long periods of time, instead of providing snapshots at a point in time, as, for example, the U.S. Census does. In this article I report some recent evidence on the persistence of poverty, the extent of intra- and intergenerational mobility, and the role of childhood poverty in shaping children's future economic attainments.

## The persistence of poverty

The extent and the causes of long-term poverty are controversial. Some analysts argue that most poverty is transitory, and that few individuals experience long-term distress. Poverty simply reflects short-term adjustment problems or life-cycle changes—a period between jobs, or following a family breakup, or after a young adult leaves home.

Others maintain that some individuals are stuck in poverty over years, perhaps over generations, though they do not agree on the reasons. One set of arguments blames poor labor market opportunities, segregation and discrimination, inadequate and underfunded schools, and lack of community resources in disadvantaged neighborhoods. Others emphasize work and marriage disincentives in the welfare system, increasing numbers of female-headed families, the growth of teen pregnancy and illegitimacy, deviant subcultures, and the personal deficiencies of the poor.

Whatever the reasons for poverty, the size and composition of the population of the long-run poor are matters of concern. Persistently poor individuals consume disproportionately large percentages of the dollars spent on public assistance and antipoverty programs. If persistent poverty is indeed very unequally distributed across demographic groups, U.S. norms of fairness and meritocracy are violated. And if growing up poor has serious negative consequences for children's development and future economic prospects, then U.S. society may be less open than is commonly believed.

### How long do individuals stay poor?

Poverty is clearly a widespread risk. In her research using a longitudinal survey, the Panel Study of Income Dynamics (PSID), Rebecca Blank found that over the years 1979–91, one in three Americans experienced at least one year in poverty.[3] But long-term poverty is rarer; only 4.9 percent of the population were poor in 10 or more years, and just 1.5 percent in all 13 years.

Long-term poverty was not equally shared. African Americans, high school dropouts, individuals with health problems, and women and children living in single-mother families were disproportionately likely to be poor. Race differences in the risk of long-term poverty were especially striking. Fewer than 1 in 50 whites were poor for 10 or more years from 1979 to 1991, but 1 in 6 African Americans were.

Changes in employment and family structure were both important precursors of movement into and out of poverty, but economic changes were the more important. About half of all spells of poverty began or ended when the earnings of the family head or the spouse fell or increased. Changes in family structure (for example, divorce or remarriage) accounted for about a third of moves into or out of poverty.

### How long do children remain poor?

Greg Duncan and colleagues, also using data from the PSID, tracked the economic circumstances of a represen-

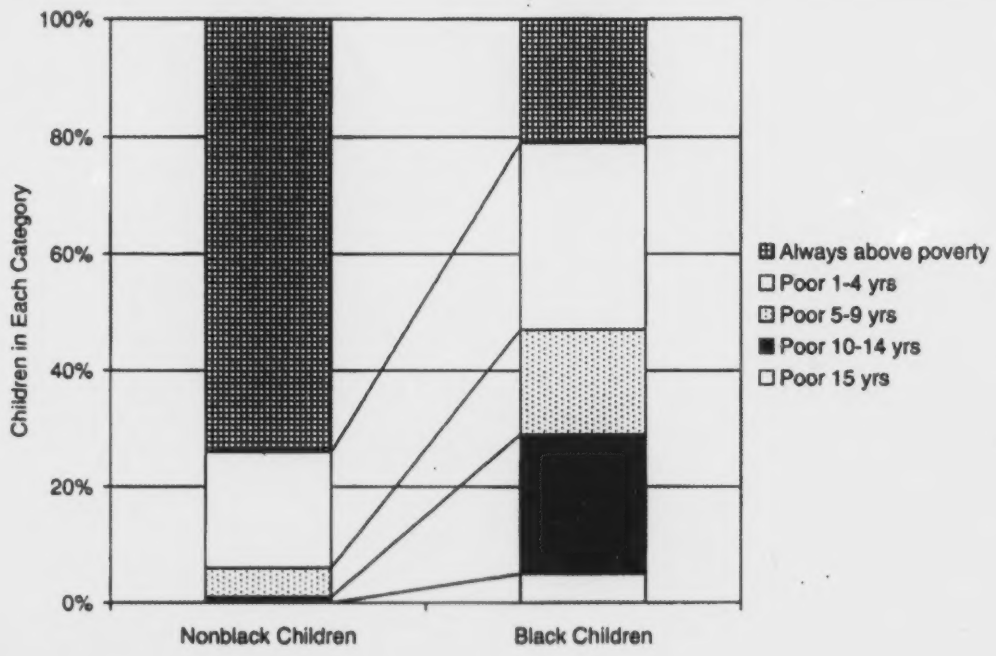


**Figure 1. Long-term poverty among children who were under age 4 in 1968.**

**Source**: G. Duncan, "The Economic Environment of Childhood," in *Children in Poverty: Child Development and Public Policy*, ed. A. Huston (New York: Cambridge University Press, 1991). Data from the Panel Study of Income Dynamics.

tative sample of children for 15 years from 1968.[4] Poverty was widespread, as it was among adults (one child in three spent at least a year in poverty), but most children were only temporarily poor. For a small minority of children—5 percent of all children in the study, and 15 percent of those children who ever became poor—childhood poverty lasted 10 years or more, and it was also very severe. The average family income of children living in persistent poverty was only about half the income that would be needed to bring that child's family above the poverty line.

Racial differences are even more striking among children in long-term poverty than annual poverty rates suggest (Figure 1). Nearly 30 percent of African-American children were poor in 10 or more years, and they constituted almost 90 percent of long-term-poor children. Other children who had much higher than average durations in poverty included those who lived with a single parent throughout their childhood, those who lived in the South, and those with a disabled parent.

Much evidence suggests that family structure is not the primary source of childhood poverty, even for African-American children, who are more apt to live in single-parent families than other children.[5] Changes in the employment and earnings of adults were at least as important as—often more important than—changes in family structure. And poverty spells lasted longer during economic declines, especially for children living in male-headed households.

### Do poor children remain poor as adults?

As American views of an open and mobile society would predict, most poor children do not grow up to be poor adults. Only one in four who were consistently poor below age 17 can still be considered poor at ages 25–27.[6] But poor African-American children were less likely to escape poverty than poor white children—one in three was still poor at ages 25–27, compared to one in 12 poor white children. Indeed, African Americans who were *not* poor as children were over twice as likely to be poor at ages 25–27 than were *poor* white children.

### Is long-term childhood poverty becoming more common?

Annual poverty rates for children, as measured by the Census Bureau, were dramatically higher in the 1980s than earlier; in 1983, the poverty rate for children under 18 was 22.3 percent, whereas in 1972 it had been less than 15 percent. Nevertheless, because of offsetting economic and demographic trends, the rate of long-term childhood poverty did not increase between the late 1960s and the mid-1980s. Economic inequality, the number of single-parent families, and the percentage of younger parents had all increased and should have resulted in more persistent poverty for children, but these

increases were offset by decreases in family size and rising levels of education among parents.[7]

Did the situation improve in the prosperous 1990s? The annual child poverty rate dropped below 20 percent in 1998, for the first time since 1980, but it was still higher than rates prevailing in the early 1970s. The greater availability of jobs for the low-skilled, the greater numbers of single mothers holding jobs, and policies such as the Earned Income Tax Credit (EITC) certainly raised net incomes for some poor families. But the incomes of the poorest single mothers and their children have worsened since welfare reform was implemented, largely because losses in means-tested benefits have exceeded gains in earnings.[8] These declines may prove to have increased long-term childhood poverty, though it is too soon to tell.

## Income mobility

The long-term poor constitute barely 5 percent of the U.S. population, but among the other 95 percent, the extent of mobility remains an important question.

Relative income mobility is measured by tracking the same individuals' incomes over time and estimating the extent to which their relative positions change. Analysts typically divide people into five equal groups (quintiles) on the basis of income, and then measure the proportions that move between quintiles over a given period, for example, from year to year. Or they examine the extent of mobility out of the bottom quintile—how many are moving upward, how many are stuck at the bottom?

### How much intragenerational mobility is there?

Analysts generally agree that relative income mobility is considerable, and that it is higher over longer periods.[9] Over a two-year period, anywhere from 25 to 40 percent of people (depending on the study) move from one income quintile to another; over periods of up to 25 years, as many as 60 percent of people may switch quintiles.

But more than half of adults aged 22–39 who were in the bottom income quintile in 1968–70 were still there in 1989–91, and the picture was worse for nonwhites and single mothers receiving welfare: 72 percent of nonwhites, 78 percent of welfare recipients, but only 46 percent of whites who started out in the bottom quintile were still there over 20 years later.[10]

Income gaps widened between the rich and the poor, the old and the young, the highly educated and the poorly educated during the 1980s and early 1990s. Long-run income inequality would not necessarily increase if greater income mobility offset these increases in annual inequality. But income mobility did not change during the 1970s and 1980s; thus long-run inequality must also have grown.[11]

**Table 1**
**Outcomes for Young Adults, by Childhood Poverty Status**

| Outcomes | Childhood Poverty Status: Poor | Childhood Poverty Status: Nonpoor |
|---|---|---|
| Schooling Outcomes | | |
| Mean years of schooling | 12.0 | 13.4 |
| Did not complete high school | 29.7% | 9.0% |
| Fertility Outcomes (women only) | | |
| Had a teen birth | 39.0% | 18.7% |
| Had an unwed birth | 24.6% | 9.4% |
| Labor Market Outcomes at Ages 25–27 (men only) | | |
| Mean hours worked/year | 1,744 | 2,100 |
| Mean hourly wage | $8.51 | $12.14 |
| Mean annual earnings | $15,188 | $25,246 |
| Mean weeks idle between ages 25–27[a] | 11.8 | 4.7 |
| Income Outcomes at Ages 25–27 | | |
| Mean family income | $21,541 | $36,003 |
| Mean family income/needs[b] | 2.0 | 3.7 |
| Poor[c] | 24.1% | 3.8% |

Source: Author's calculations from the PSID.

Note: The sample consists of all respondents in the 1968–1993 Panel Study of Income Dynamics (PSID) who were observed as children between ages 15 and 17 and as adults between ages 25 and 27. All means are weighted. An individual is defined as poor as a child if the ratio of his or her family to the Census poverty line, averaged over all years observed as a child, is less than 1. Depending on the respondent's age in 1968, there are 3 to 17 years of data on childhood family income.

[a]A man is defined as idle if he is not working and is not a full-time student.

[b]Needs is the Census Bureau's poverty threshold.

[c]A respondent is defined as poor if his or her income-to-needs ratio between ages 25 and 27 is less than 1.

### To what extent is income inequality transmitted across generations?

Until recently, analysts contended that parental income had small effects on children's economic futures—that there was considerable mobility across generations and little evidence of a vicious cycle of poverty. Typically, analysts argued, less than 4 percent of inequality in men's incomes was linked to the incomes of their fathers.[12]

This consensus changed as longitudinal data allowed researchers to estimate more precisely the correlations between the long-run economic status of fathers and sons. And the size of the effect appears to grow as the sons age: fathers' economic status accounts for about 25 percent of the economic status of sons in their mid-20s, but about 50 percent of the status of sons in their late 30s.

Fathers' income appears to have an equally strong link to the economic status of their adult daughters. There is, however, some evidence to suggest that these associations began to weaken in the 1980s and 1990s, as intergenerational income and occupational mobility increased.[13]

## Does growing up poor affect children's futures?

There is no doubt that being poor as a child has large and serious effects on many aspects of the lives of young adults (see Table 1). Poor children are more than three times as likely to have dropped out of high school. Poor girls are more than twice as likely to have had a teen birth. Poor boys work fewer hours, have lower annual earnings, and spend more weeks idle in their mid-20s than do nonpoor boys. Poor children have higher poverty rates and lower incomes in their mid-20s than do nonpoor children.

These statistics do not, however, tell us how much child poverty *itself* actually affects children's developmental and economic outcomes. Poor and nonpoor families differ in many ways. Poor families are more likely to be headed by one parent than by two, and poor parents tend to be younger, less educated, less healthy, less likely to be employed, more likely to earn less, and more likely to receive welfare than nonpoor parents. These differences, not income alone, could be leading to undesirable outcomes for poor children.[14]

Nor can studies that estimate the associations between child poverty and child outcomes tell us *why* and *how* poverty affects children's development. Do poor children suffer developmental delays because of poor physical environments and poor nutrition, because of poor parenting practices and lack of a stimulating home environment, or because poverty and poor neighborhoods put parents under considerable stress? As is the case with persistent poverty, there have been many different and sometimes contradictory explanations, but new longitudinal research offers a few clues.

Part of the association between parental poverty and children's economic outcomes clearly comes from the effect on school achievement. Poor children receive less schooling and do more poorly on measures of attainment than do nonpoor children. These differences are strongly linked to the ability of nonpoor parents to provide richer and more stimulating home environments than poor parents can.

Low income is also, though not always, associated with greater health risks arising from higher rates of low birth weight, greater exposure to environmental hazards in poor neighborhoods, and poorer health and mental health among parents. But evidence on the extent to which health risks may affect adult attainments is still inconclusive.[15]

Genetic explanations for intergenerational inequality—stressing the influence of nature rather than nurture—have attracted wide public attention.[16] The conclusion that genes matter more than nongenetic family background has, however, been strongly criticized because it rests on controversial assumptions and dubious evidence.[17]

Does money itself matter? Analysts disagree. Susan Mayer, for example, contends that parental income is mostly a signal of other attributes that we cannot so easily measure. Parents who are in poor health or who possess low expectations, few talents, or little motivation are less likely to succeed economically and to raise successful children.[18] Thus she concludes that estimates of the effects of income alone are likely too high because they do not take such unmeasured family characteristics into account. Unfortunately, as Mayer points out, even the new, improved studies are only able to incorporate a limited list of family background factors. Longitudinal data bases such as the PSID and the National Longitudinal Study of Youth do not provide good measures of the kinds of material hardships one would wish to include—food insufficiency, evictions and homelessness, utility cutoffs, failure to receive necessary medical care, neighborhood crime rates, and school quality.

## Policies for the long-term poor

"Only" 5 percent of adults and children in the United States are chronically poor—but that amounts to millions of people. And the chronically poor are not a representative cross-section: being born to African-American or single mothers dramatically increases children's chances of being poor throughout their childhoods. Children born to African-American parents can expect very different economic trajectories than children born to white parents. Clearly, U.S. society may be less open than we would wish.

Tax and transfer policies that deliver economic resources to poor families provide immediate economic relief, and may well lead to small improvements in a number of poor children's future attainments. But Mayer's research suggests that raising the incomes of poor children is unlikely dramatically to improve their future prospects.

More important, we still do not understand why growing up poor hurts children. The research discussed in this article has shown that poverty has stronger effects than family structure on children's test scores, schooling attainment, and economic outcomes, but that family composition has greater effects on behavioral and psycho-

logical problems. Both are quite likely correlated with unmeasured parental attributes that directly affect children's future well-being.

The appropriate policies for dealing with long-term childhood poverty and persistent economic inequality will depend on which view is correct. If lack of resources and low skills inhibit the chance of escaping poverty, then policies that deliver resources to poor families and raise the education and skills of poor children are appropriate. If social isolation in poor neighborhoods is a factor, both economic and social service strategies will be necessary to link people with jobs and provide them with the educational and social skills to stay employed. If parental disadvantages or failings cause family poverty and lead to poor outcomes for children, then the policy solution is less obvious. We need to identify those disadvantages and then target policies toward reducing them or, at the least, toward reducing their impact upon children. ■

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[1]This article draws upon Mary Corcoran, "Mobility, Persistence, and the Intergenerational Determinants of Children's Success," presented at the IRP conference, Understanding Poverty in America: Progress and Problems, on May 22–24, 2000, in Madison, WI. The revised conference papers will be jointly published by Harvard University Press and the Russell Sage Foundation in a volume tentatively titled *Understanding Poverty: Progress and Prospects*.

[2]T. Smeeding and P. Gottschalk, "Cross-National Income Inequality: How Great Is It and What Can We Learn from It?" *Focus* 19, no. 3 (Summer-Fall 1998): 15–19.

[3]R. Blank, *It Takes a Nation: A New Agenda for Fighting Poverty* (Princeton, NJ: Princeton University Press, 1997). There are no statistics on the extent of long-term poverty among Latino or immigrant groups. Annual poverty rates are extremely high for both.

[4]G. Duncan, "The Economic Environment of Childhood," in *Children in Poverty: Child Development and Public Policy*, ed. A. Huston (New York: Cambridge University Press, 1991). Pp. 23–50.

[5]M. Corcoran and A. Chaudry, "The Dynamics of Childhood Poverty," *The Future of Children* 7, no. 2 (1997): 40–45; A. Stevens, "Measuring the Persistence of Poverty over Multiple Spells," unpublished Ph.D. dissertation, Department of Economics, University of Michigan, Ann Arbor, 1995.

[6]Author's estimates from the PSID. I consider an individual to be poor as a child if the average family income between 1968, when the PSID began, and the year the child turned 17 places the family below the poverty line. Poor adults are those for whom average income during ages 25–27 is below the poverty line.

[7]On these issues see also M. Cancian and D. Reed, "Changes in Family Structure: Implications for Poverty and Related Policy," in this *Focus*; G. Duncan and W. Rodgers, "Longitudinal Aspects of Childhood Poverty," *Journal of Marriage and the Family* 50 (1988): 538–50.

[8]W. Primus, K. Rawlings, K. Larin, and K. Porter, *The Initial Impacts of Welfare Reform on the Incomes of Single-Mother Families*, Center on Budget and Policy Priorities, Washington, DC, 1999.

[9]See, for example, S. Danziger and P. Gottschalk, "Family Income Mobility—How Much Is There, and Has It Changed?" in *The Inequality Paradox: Growth and Disparity*, ed. J. Auerbach and R. Belous (Washington, DC: National Policy Association, 1998); D. McMurrer and I. Sawhill, *Getting Ahead: Economic and Social Mobility in America* (Washington, DC: Urban Institute, 1998).

[10]Danziger and Gottschalk, "Family Income Mobility."

[11]Danziger and Gottschalk, "Family Income Mobility."

[12]G. Solon, "Intergenerational Mobility in the Labor Market," *Handbook of Labor Economics*, Volume 3A, ed. O. Ashenfelter and D. Card (Amsterdam: North-Holland, 1999).

[13]J. Patterson, *America's Struggle against Poverty, 1900–1985* (Cambridge, MA: Harvard University Press, 1986); Solon, "Intergenerational Mobility"; S. Mayer and L. Lopoo, "Has the Intergenerational Transmission of Economic Status Changed?" unpublished ms., University of Chicago, 2000.

[14]J. Brooks-Gunn and G. Duncan, "The Effects of Poverty on Children," *The Future of Children* 7 (1997): 55–71.

[15]Brooks-Gunn and Duncan, "The Effects of Poverty on Children."

[16]R. Herrnstein and C. Murray, *The Bell Curve: Intelligence and Class Structure in American Life* (New York: Free Press, 1994).

[17]A. Goldberger, "Heritability," *Economica* 46 (1979): 327–347.

[18]S. Mayer, *What Money Can't Buy: The Effect of Parental Income on Children's Outcomes* (Cambridge, MA: Harvard University Press, 1997).

# Changes in family structure: Implications for poverty and related policy

*From 1969 to 1998, the overall poverty rate grew, although by less than one percentage point. Yet the poverty rate within almost every family type declined.*[1]

Maria Cancian and Deborah Reed

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Major income support policies in the United States are explicitly tied to family structure—the prototypical example is Aid to Families with Dependent Children (AFDC), which was largely limited to single-parent families. But marriage, childbearing, family living arrangements, and work patterns have changed, and so too have public perceptions of gender roles, parental responsibility, and the family. Income support policy embodies these profound shifts. For example, the 1996 welfare reforms that replaced AFDC with Temporary Aid for Needy Families reflect growing acceptance that mothers should work, even mothers with very young children.

In this article we examine the changes in family structure over the last 30 years. We document the decline in marriage and rise in divorce, and examine the trends behind the increasing proportion of children born outside of marriage. The growth in cohabitation among unmarried couples is an important part of the story, as is the changing relationship between women's labor force participation and their marital and maternal status. We briefly examine how these changes have affected poverty and poverty policy in the United States.

## Marriage, divorce, and cohabitation

In 1970, 42 percent of families included an employed father, a homemaker mother, and children; now, only 16 percent of families fit this general model, and half of all children will spend some portion of their childhood living with only one parent.[2]

These changes in family composition reflect changes in the proportion of individuals who marry, in the stability of those marriages, and in the probability of remarriage for those who divorce. In 1970, almost 80 percent of women aged 25–29 were married, and about the same proportion was married at ages 40–44. By 1999 only 50 percent were married at ages 25–29, and only about two-thirds were married at ages 40–44.

Divorce is the prime actor here, although the steep rise in divorce that took place in the 1970s has abated. In 1999, about 12 percent of ever-married women aged 30–34 were divorced, about the same share as in 1980 but twice the share in 1970. Among women aged 40–44, 18 percent were divorced in 1999, and 10 percent of women had never married, twice as many as in the 1970s. Cohabitation had become more common among all groups, especially at younger ages; it too has played a role in the decline of marriage. By our estimates roughly half of one percent of women were cohabiting in the early 1970s. By 1999, this grew to about 10 percent for women in their twenties and 5 percent for women in their late thirties and early forties.[3]

These averages obscure substantial variation among racial and ethnic groups. For example, 72 percent of white women aged 40–44 were married in 1999, but only 44 percent of African-American women. The groups with the lowest proportion of married women—African Americans and American Indians—also saw the steepest recent declines in marriage rates.

## Childbearing

Because single women, especially single mothers, are more likely to be poor than their married counterparts, declining marriage rates and rising divorce are likely to increase the incidence of poverty. But during these decades fertility declined substantially among American families (Figure 1). In 1970, the average woman aged 30–34 had 2.5 children; in 1999, she had 1.5.

All other things being equal, women are more likely to be poor the more children they have, both because larger families need larger income to avoid poverty and because greater parenting responsibilities are likely to restrict women's ability to earn wage income. So the decline in fertility works to reduce the incidence of poverty.

Other changes over these years, however, countered the effect of smaller families. Between 1960 and 1999 births to single women rose from about 5 percent to nearly one-third of all births (Figure 1). In the 1960s and 1970s this

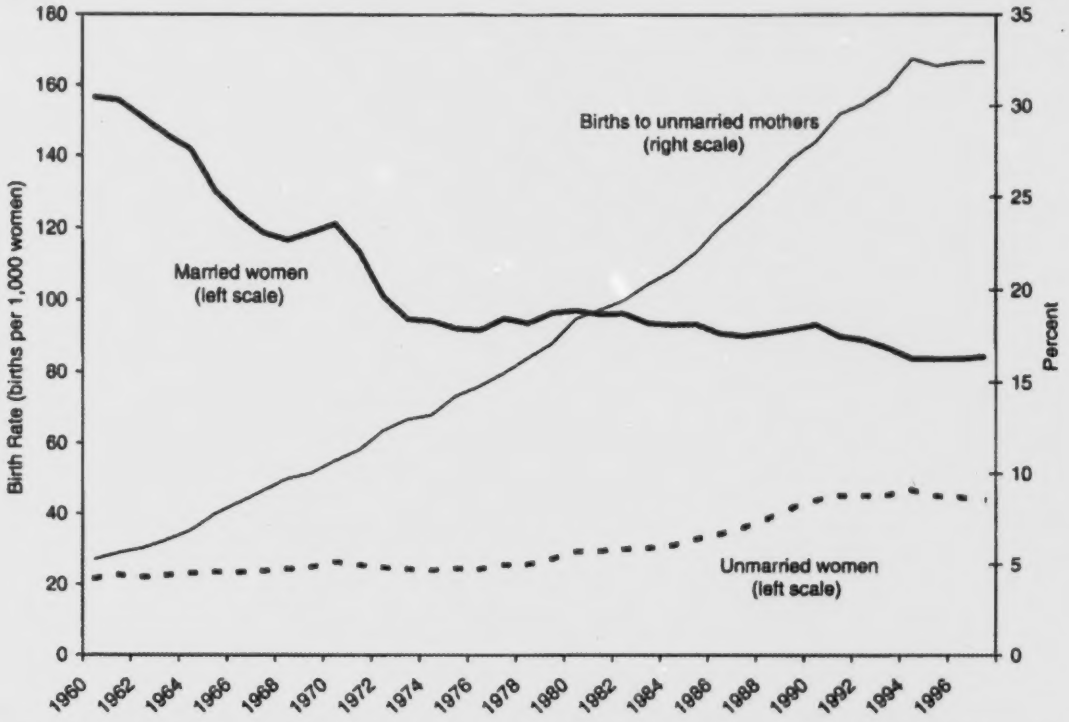


**Figure 1. Fertility, by marital status, 1960–97 (left scale); percentage of all births that are to unmarried women (right scale).**

**Source:** 1960–93 from U.S. Department of Health and Human Services, *Report to Congress on Out-of-Wedlock Childbearing*, Washington, DC, 1995. < http://www.cdc.gov/nchs/data/wedlock.pdf >; thereafter, *National Vital Statistics Report* 47, no. 18, April 1999. < http://www.cdc.gov/nchs/data/nvs47_18.pdf >.

increase was caused primarily by sharp declines in fertility among married women. In the past two decades, birthrates among married women have largely stabilized, but rates have continued to increase among unmarried women; at the same time, there were more unmarried women at risk of a nonmarital birth.

Unmarried childbearing varies substantially by race and ethnicity. It is lowest among Asians (16 percent), followed by whites (26 percent), Hispanics (41 percent), American Indians (60 percent), and African Americans (69 percent).[4] Trends in marital birthrates are similarly variable. For example, between 1970 and 1993 the birthrate among married women fell by about 27 percent for whites and 43 percent for African Americans. But between 1970 and 1998 the birthrate among single women *increased* by 80 percent for whites and *fell* by 23 percent for African Americans. Thus for African Americans, the increase in nonmarital births is because marriage rates and marital fertility are declining, not because of an increase in the likelihood that an unmarried African-American woman has a baby.

Regardless of the causes, the rising share of births to single mothers and changes in mothers' marital status will contribute to their economic vulnerability and that of their children. But though contemporary women are less likely to have a husband on whom to rely for support, they are also less likely to have large families to support.

## Family living arrangements

In 1972, 86 percent of children lived in a married-couple family; in 1999, only 71 percent did.[5] Of the remainder, most lived with a single mother, though by 1999 the number of children living with a single father had risen (Figure 2). White children and Asian and Pacific Islander children were most likely to be living in married-couple families, African-American children least likely. American Indians had a relatively high rate of single-father households (about 9 percent).

When children live with an unmarried parent, they may still live with more than one adult, and increasingly they do. In Figure 3 we show living arrangements of single mothers. The proportion living alone has declined substantially, mostly because more of them are cohabiting. Only African-American single mothers are more likely to be living alone now than they were ten years ago.[6]

The increasing tendency of single parents to live with an unmarried partner or related adult is likely to have consequences for the economic and social resources available

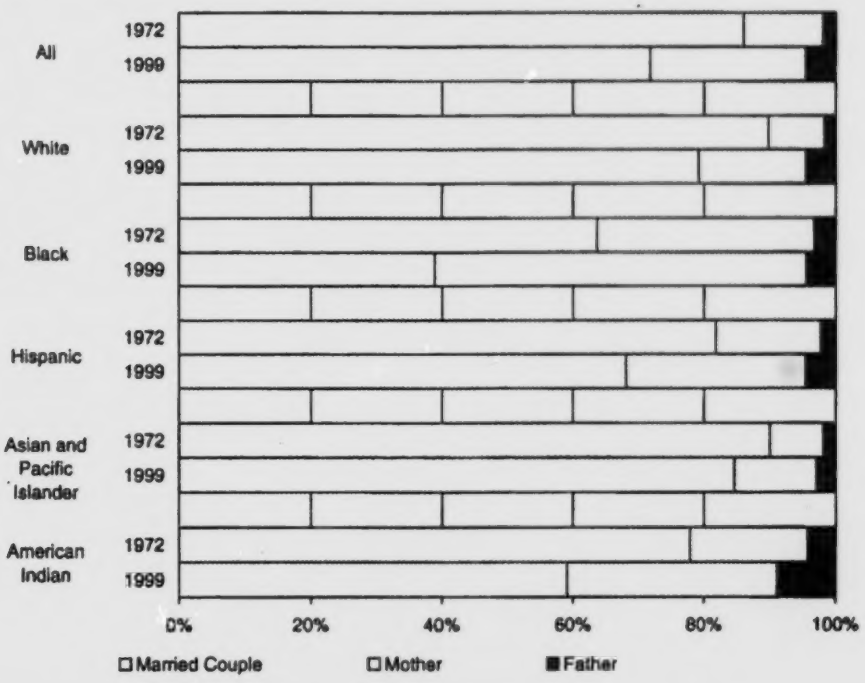


**Figure 2. Living arrangements of children in families, 1972 and 1999.**

**Source:** Authors' calculations from the Current Population Survey, 1971 and 1972 combined, and 1998 and 1999 combined.

to those parents and their children. Ideally, the presence of more adults, for example, grandparents, in the household will increase the financial and social resources available to vulnerable families by providing additional income or services such as child care. But sometimes their presence increases family stress and the responsibilities of single parents. An elderly parent may require care. Other adults in the house may present a risk that increases the need to supervise children.

The varied nature of household and family relationships in the late 1990s makes it difficult to accurately measure resources and needs. In determining poverty status, for example, official poverty statistics include the income and needs of "related adults" only; they ignore the income and needs of "unrelated" cohabitants. The assumption in the poverty statistics that parents and their biological children share resources to maximize family well-being is itself a simplification.[7] Yet if an unrelated cohabitant is, in practice, part of the same economic unit, the household's needs or resources—or both—may be greater.

## Employment

Although the growing proportion of women and children living in female-headed households has increased the risk of poverty, more women work in the paid labor market than ever before, and gender gaps in labor market outcomes have declined. In 1970, labor force participation rates ranged between 50 and 60 percent across the different age groups of women aged 25–54. By 1999, however, the rates had increased to close to 80 percent for these age groups.

Employment rates increased in almost every period for almost all groups of women (Figure 4). The increase was more pronounced for married than for single women, and most dramatic for married women with children under 6. (Single women, not surprisingly, always had a higher employment rate.) For single mothers of very young children, the greatest rise in employment was concentrated in the mid-1990s, coinciding with more restrictive welfare policies that have reduced the availability of cash assistance.

There are substantial differences in employment patterns among racial and ethnic groups. In 1999, for example, employment rates for single mothers of young children were 79, 75, and 59 percent for whites, African Americans, and Hispanics, respectively; the white and Hispanic single mothers, indeed, were more likely to work than their married counterparts. Single African-American mothers of young children worked less than their married counterparts, but saw the largest *increase* in employment from 1990 to 1999—22 percentage points.[8]

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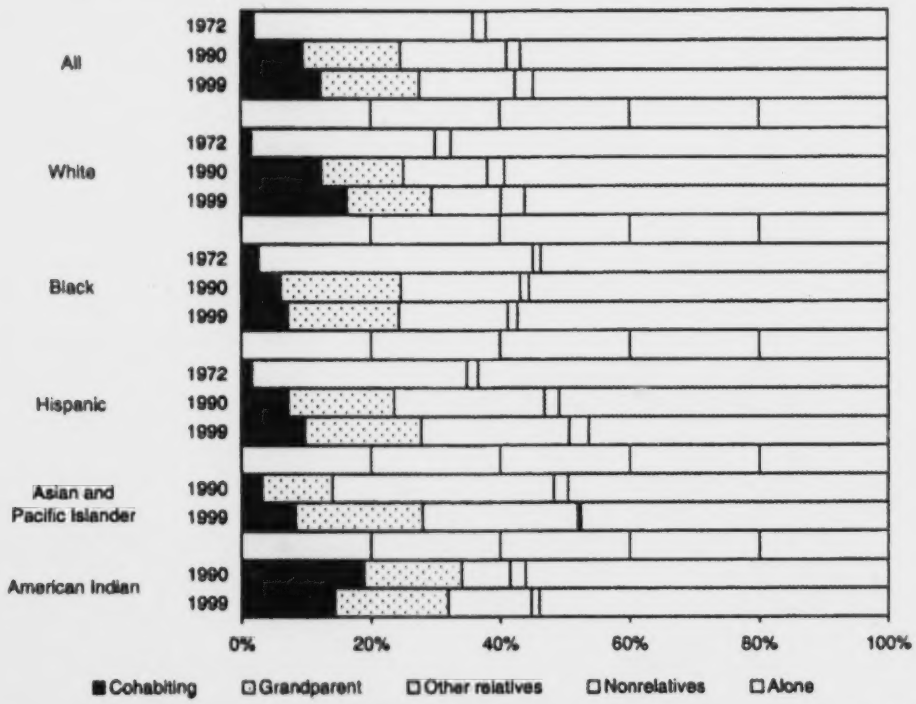


**Figure 3. Living arrangements of single mothers, 1972, 1990, and 1999.** Grandparents are not separately identifiable in the earliest year, and sample sizes are too small for Asians/Pacific Islanders and American Indians to be reliable.

**Source:** Authors' calculations from the Current Population Survey, 1971 and 1972 combined, 1989 and 1990 combined, 1998 and 1999 combined.

## Some implications for poverty and policy

In 1998, families headed by single women raising children had the highest poverty rate, close to 39 percent by our measure.[9] The poverty rate for single individuals without children was around 15 percent. Married couples had the lowest rates, about 2.5 percent for those with no children and 6.5 percent for those with children. The same pattern of high rates for single mothers and low rates for married couples had prevailed in 1969. The overall rate was still a percentage point higher in 1998 than in 1969, though it was lower than in the recession years of the early eighties and nineties.

An important factor in the growth of the overall poverty rate was the shift away from married-couple families toward single-parent families with higher poverty rates. This shift reflects complex interrelated trends. Fewer people are marrying, people are marrying later in life, and those who are married are more likely to divorce. Married couples are having fewer children; birth rates have risen for unmarried white women. For all these reasons, a larger share of families are headed by single mothers. Because single-mother families are more than five times as likely to be poor as married-couple families, the change in family structure has increased poverty. But this increase has been mitigated by growth in the paid work and earnings of women.

The increase in cohabitation is also important in understanding the effect of changing family structure on poverty. It may substantially explain the delay in entry into marriage; moreover, estimates suggest that almost half of recent births to unmarried women are to cohabiting couples.[10] If cohabiting adults were treated as families in the official statistics, the poverty rate would, we estimate, have been about one percentage point lower in 1998 and there would have been almost no growth in poverty since 1969.[11]

But the impact of the various countervailing forces is limited. If increased employment has made women less economically vulnerable, it has presumably come at the cost of (unpaid) time spent supporting their families and communities.[12] And the standard measure of income poverty ignores the nondiscretionary personal costs of employment, such as transportation and child care, and thus overstates the poverty-reducing effects of employment. Cohabiting relationships introduce a further complication, not least because they are less stable than marriages.[13] Much remains to be learned about the level and stability of economic support within cohabiting families and the implications for children's well-being.

Much of the recent policy debate has focused on changes in family structure and women's employment. State and

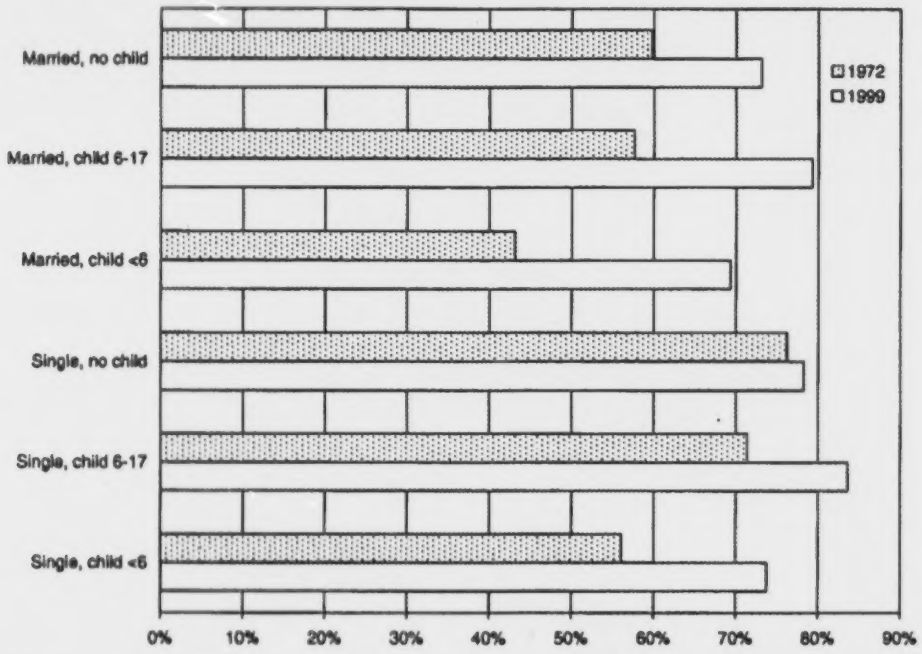


**Figure 4. Employment rates of women aged 18–64, by marital status and motherhood, 1972 and 1999.**

**Source:** Authors' calculations from the Current Population Survey, 1971 and 1972 combined, 1998 and 1999 combined.

federal changes in welfare and related programs in the 1990s included provisions responding to greater instability in family structure and increasing both the incentives and the obligations for single mothers to work for pay. Greater resources were devoted to enforcing child support obligations on nonresident parents and formally establishing paternity for fathers of children born outside marriage. Time limits were imposed on welfare receipt, work exemptions for mothers of very young children were eliminated or curtailed, and child care subsidies were introduced or increased.

Especially because these policy changes occurred during an exceptionally long economic expansion, it is very difficult to determine how large a role they have played in the declines in welfare participation that have been so widely reported. It is potentially even more difficult to assess the long-run effects of the new system on family structure and employment patterns and its ability to protect the well-being of vulnerable families. Such an assessment requires that we examine the characteristics of women's employment and opportunities for advancement, the quality of child care and the ability of single parents to both work for pay and raise their children, and the system's ability to respond to periods of unemployment, whether it is caused by changes in the economy or by personal circumstances. ■

[1]This article draws upon Maria Cancian and Deborah Reed, "Changes in Family Structure: Implications for Poverty and Related Policy," presented at the IRP conference, Understanding Poverty in America: Progress and Problems, on May 22–24, 2000, in Madison, WI. The revised conference papers will be jointly published by Harvard University Press and the Russell Sage Foundation in a volume tentatively titled *Understanding Poverty: Progress and Prospects.*

[2]L. Bumpass and R. Raley, "Redefining Single-Parent Families: Cohabitation and Changing Family Reality," *Demography* 32 (1995): 97–109.

[3]Measures of cohabitation are difficult. Until recently few surveys asked respondents about nonmarital partners; moreover, social stigma and the lack of formal legal status make self-reporting by nonmarital partners more difficult to interpret.

[4]These birth statistics are for 1997, from U.S. Department of Health and Human Services, *Health, United States, 1999* (Washington, DC: DHHS, 1999).

[5]Married-couple families may include only one biological, step-, or adoptive parent.

[6]Living arrangements for single fathers are quite different. In 1999 only 39 percent lived alone, 30 percent cohabited, and 25 percent lived with another relative. Ethnic and racial differences were also large: 45 percent of white fathers, 35 percent of African-American fathers, and only 24 percent of Hispanic fathers lived alone.

[7]T. Bergstrom, "A Survey of Theories of the Family," in *Handbook of Population and Family Economics*, ed. M. Rosenzweig and O. Stark (Amsterdam: Elsevier, 1997), pp. 21–79.

[8]The CPS sample size is not large enough to provide accurate measurements of employment among Asians/Pacific Islanders and American Indians.

[9]Our measures differ slightly from those in the official poverty rate because we focus on families headed by persons aged 18 to 64.



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[10]L. Bumpass, J. Sweet, and A. Cherlin, "The Role of Cohabitation in Declining Rates of Marriage," *Journal of Marriage and the Family* 53 (1991): 913–27; L. Bumpass and H.-H. Lu, "Trends in Cohabitation and Implications for Children's Family Context in the United States," *Population Studies* 54, no. 1 (2000): 29–41. Early evidence from the Fragile Families study of children born to low-income, primarily unmarried mothers also suggests that there are high levels of cohabitation among these parents of newborns and that fathers are emotionally and financially involved. See I. Garfinkel and S. McLanahan, "Fragile Families and Child Well-Being," *Focus* 21, no. 1 (2000), 9–11.

[11]Our estimates of the potential sizes of these various countervailing forces appear in Section IV of the chapter. See also the article by Burtless and Smeeding in this *Focus* for poverty statistics.

[12]M. Waring, *Counting for Nothing: What Men Value and What Women Are Worth* (Toronto: University of Toronto Press, 1999).

[13]Bumpass and Lu, "Trends in Cohabitation."

## July 2001 Luxembourg Income Study Introductory Workshop to be held at Syracuse University

The Luxembourg Income Study has made comparable over 80 large microdata sets which contain comprehensive measures of income and economic well-being for a set of over 25 modern industrialized welfare states. The LIS databank currently covers countries including: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Israel, Italy, Luxembourg, the Netherlands, Norway, Poland, Russia, the Slovak Republic, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States. We are also negotiating with Japan, Korea, Mexico, Greece, Portugal, New Zealand, and South Africa.

The LIS Summer Workshop is a one week pre- and postdoctoral workshop designed to introduce young scholars in the social sciences to comparative research in income distribution and social policy using the LIS database. The 2001 Introductory Workshop will be held at Syracuse University, Syracuse, NY, July 8–14, 2001. **Applications are available from the LIS homepage at: http://www.lis.ceps.lu and are due by April 15, 2001. Please note that space is limited.**

The language of instruction will be English. The course of study will include a mix of lectures and assistance and direction using the LIS database to explore a research issue chosen by the participant. Workshop faculty will include the entire LIS staff (including Timothy Smeeding, Overall Project Director; Lee Rainwater, LIS Research Director; and John Coder, LIS Technical Director) and other experienced LIS users.

For more information about the workshop, please contact: Caroline de Tombeur, LIS Administrative Assistant, LIS at CEPS/INSTEAD, B.P. 48, L-4501 Differdange, Luxembourg (caroline@lissy.ceps.lu) or Kati Foley, LIS Administrative Assistant, 426 Eggers Hall, Syracuse University, Syracuse, NY 13244-1020 USA (lisaa@maxwell.syr.edu).

# The rising tide lifts...?

*How much can the labor market reduce poverty in the "new economy" of the 21st century? Will the rising tide of economic progress win the war on poverty in the foreseeable future? Or is something more needed to improve living standards at the bottom of the distribution?*[1]

Richard Freeman

Richard Freeman is Herbert S. Ascherman Professor of Economics, Harvard University.

The belief that sustained economic growth can cure most economic ills is fundamental to the American view of how the market economy works. Americans have generally looked more favorably on policies designed to produce equality of opportunity in the job market than on policies to assure citizens a safety net through government action. Over the 20th century, the rising tide of economic progress did indeed raise living standards—in the year 2000, the real wages of American workers were about five times their value in 1900.[2]

The traditional view that a growing economy benefits all citizens, including the poor, did not fare well in the 1980s. From the mid 1970s through the 1980s, real domestic gross product grew by 20 percent per capita, yet the official poverty rate for all families rose from 9.2 percent in 1979 to 10.3 percent in 1989. By 1993, it was 12.3 percent, above the rate that had prevailed from 1966 through 1983. At the same time, policymakers were arguing that any effort to lower the rate of unemployment below a "natural" level of 6 percent would generate accelerating inflation. Because unemployment is concentrated among the low-skilled, a 6 percent average rate implied double-digit unemployment for the lowest skilled and lowest paid, a conclusion that appeared to doom them to a life of stagnant wages and continued poverty.

The stellar performance of the U.S. economy in the late 1990s challenged this gloomy reading. Unemployment hovered around 4 percent in 2000; among the low-skilled, it fell to levels last seen in the 1960s. Welfare caseloads dropped precipitously in many states under the joint influence of a tight job market and welfare reform. Increases in the minimum wage were implemented without any apparent reduction in job growth. Poverty rates once again shrank. It began to seem as if the 1980s were an exception to the rule linking poverty and growth. If the job market were to remain healthy and strong, could the United States, after all, win the war on poverty by going with the flow of economic growth?

The conflict between the pessimism of the 1980s and the current euphoria motivates this article. I argue that full employment will further reduce poverty in the next decade, but that the reduction will be less than is needed to eliminate poverty. First, even if full employment continues, a residual group of the poor faces major limitations on whether and how much they can work, because of disability or illness in the family, age, or low skills. And if there is a return to the 6 percent unemployment rates considered "natural" in the 1980s, poverty will increase substantially, because the scaling down of the U.S. welfare system will leave many job losers with only modest access to assistance.[3]

## Economic growth, business cycles, and poverty

Macroeconomic performance, good or bad, does not well predict the magnitude of changes in poverty. Taken together, the three decades from 1970 to 2000 give a depressing picture of the ability of economic growth to reduce poverty: gross domestic product (GDP) per capita rose by 73 percent, while the rate of poverty among families barely fell, from 9.7 percent in 1969 to 9.3 percent in 1999. Figure 1, which records changes in the unemployment and poverty rates during periods of recession and recovery, offers equally little evidence of consistent quantitative linkage between the two: changes in unemployment are sometimes associated with large changes in poverty in the same direction and sometimes with small changes. Clearly, other factors intervene between aggregate economic performance and the proportion of families or individuals that fall below the poverty line.

Four main factors might explain these divergent patterns: demographic change, governmental policies, the shape of the income distribution, and labor market factors.

### Demographic change

The growth of families headed by single women, who have poverty rates 3–4 times the rates of all other family types, is widely, but perhaps mistakenly, blamed for raising the U.S. poverty rate independently of economic growth. Sheldon Danziger and Peter Gottschalk argue that the decline in poverty from 1949 to 1969 was due entirely to economic changes and that the demographic changes that increased the poverty rate were not sufficient to offset economic factors. For the years from 1973

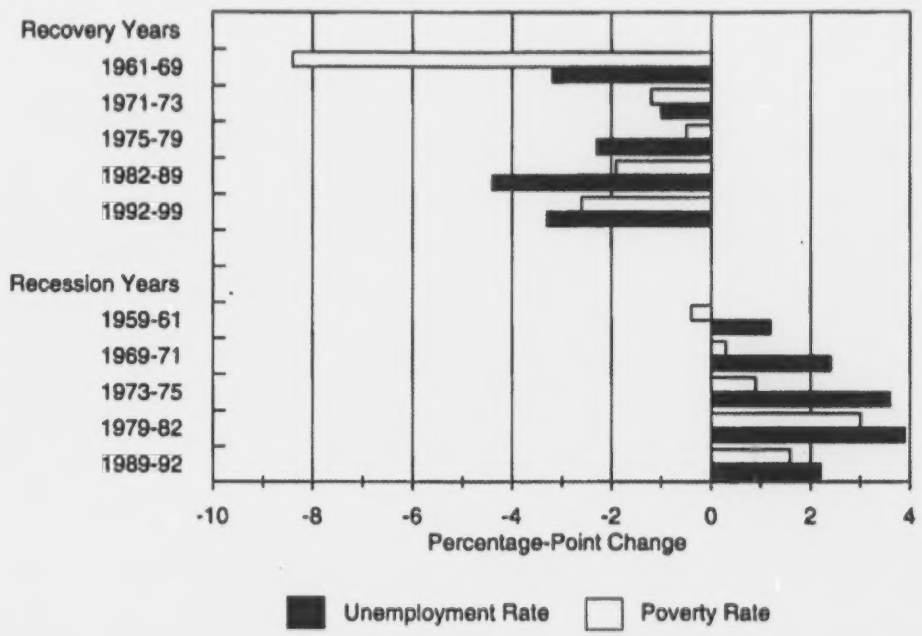


**Figure 1. Cyclical swings and the family poverty rate, 1959–1999.**

**Source:** For poverty, the U.S. Census Bureau, *Poverty in the United States*, Current Population Reports, Series P-60-210, September 2000. For unemployment, the U.S. Council of Economic Advisers, *Economic Report of the President* (Washington, DC: GPO, 2000), Table B-33.

to 1991, they find, the rise in poverty was again due mostly to economic circumstances, above all, sluggish growth in mean adjusted income.[4] The rise of single-parent families in this period, for example, was largely offset by the increasing educational attainment of family heads, which improved job opportunities and income.

Other changes in family composition could, however, affect the relationship between growth and poverty. As the U.S. population ages, there has been a compositional shift from the young, whose poverty status depends greatly on the aggregate economy, to older persons whose poverty status does not depend upon the labor market. But the timing of this change does not support a view that population aging has affected the link between growth and poverty. Baby boomers first entered the job market in large numbers in the 1970s; this large increase in the working population should have strengthened the effect of growth or unemployment on poverty, but in fact the relationship weakened (Figure 1). And in the economic boom of the 1990s, poverty fell more among those out of the labor market—the elderly and those below age 18—than among the working population aged 18–64 (see, later, Table 2).

### Government policies

Government policies can affect the poverty rate by direct transfers of money (the Earned Income Tax Credit) or goods and services (food stamps, subsidized housing), by intervening in wage determination in the labor market (minimum wage), by regulating hiring and promotion policies of firms (affirmative action), by regulating workplaces (occupational health and safety), and in diverse other ways.

The variable relationship between economic growth and poverty shown in Figure 1 is broadly consistent with the timing of the federal government's efforts to reduce policy. The 1960s were the heyday of the War on Poverty, whereas succeeding decades saw fewer government initiatives, though spending on some antipoverty programs did expand. But the United States has never developed a European-style welfare state, and government spending on assistance has never been large enough to raise families above the poverty line. Once again, the explanation is insufficient. Something more is needed to explain the changing relationship between growth and poverty over time, and to assess the validity of the "rising tide" analogy.

### The shape of the income distribution

The distribution of incomes around the average value of income can be graphed as a roughly bell-shaped curve, with most families clustering around the average and many fewer families at either end. If income grows, the entire income distribution and the average value of income will shift rightward. But the poverty line does not shift, because the U.S. measure of poverty is an absolute

and not a relative measure. Thus fewer people should end up below the poverty line. But in the United States after 1970, the decline in the poverty rates did not keep step with the growth of the economy. Moreover, the relation between growth and poverty was stronger in some decades than in others (Figure 1). The distributional analysis suggests a possible explanation—rising inequality in the labor market. If inequality rises, the shape of the income distribution will change so that more people fall toward the two extremes. Given an absolute measure of poverty, more people will end up below the poverty line. This directs our attention to the final factor listed earlier—the labor market and, specifically, the earnings of low-paid workers.

**Labor market forces: Real wages and rising inequality**

Approximately three-quarters of family income in the United States comes from the labor market, and even families in the lowest fifth of the income distribution rely more upon labor income than on any other source.

Two developments in the labor market explain the bulk of the failure of economic growth in the 1970s and 1980s to reduce poverty substantially. First is a striking breakdown in the relationship between economic growth and real wages. Overall, despite recessionary periods, the economy grew from 1960 on. In the1960s, the real average hourly wages of nonsupervisory workers in the private sector increased by 19.3 percent; poverty fell substantially. In the 1970s, earnings rose by 2.4 percent and poverty barely dropped. In the 1980s, wages fell by 6.5 percent and poverty increased. Finally, in the 1990s, real wages grew by 2.9 percent and poverty fell modestly. Second is the rise in inequality in earnings. In the 1980s, if not earlier, wage inequality increased massively. The real earnings of low-wage workers fell, while those of higher-paid workers rose or remained more or less constant.[5]

My statistical analyses of data on poverty in the nation and across states over time show that these two factors—the level of real wages and inequality, together with the level of unemployment—explain the bulk of variation in poverty in the United States. Regardless of how we measure poverty or the distribution of income, three economic variables—real wages, inequality, and unemployment—have sizable and significant impacts of poverty. In calculations that focus on changes in poverty within states, a 1-percentage-point fall in unemployment reduces the poverty rate among individuals by about 0.4 percentage points, a 1 percent change in median earnings reduces poverty by 0.16 percentage points, and an increase in inequality (measured by the ratio of median income to income in the lowest quintile) of the same magnitude raises poverty by 0.26 percentage points.

Because the unemployment rate is unlikely to drop much below the 4 percent rate attained in early 2000, the effect of the labor market on poverty over time depends critically on how real wages and inequality change. My estimates suggest that if real wages rose by 2 percent in a year, poverty would fall by about 0.3 percentage points. Three full years of solid wage gains would thus be needed to lower the poverty rate by 1 percentage point.

**The impact of work experience**

It is joblessness per se, rather than unemployment, that is most likely to contribute to poverty. People who lack work because they are disabled and out of the labor force have the same zero earnings as the unemployed, though some may have access to benefits that the long-term unemployed do not.

Current Population Survey data for 1999 show that, regardless of gender, ethnicity, or age, there is a very great difference in the poverty rates of persons who work full time, year round, and those who do not. Just 2.6 percent of all Americans over age 16 who worked full time, all year, were in poverty; of those who worked part time or part year, 13.1 percent were poor, and among those who did not work at all 19.9 percent were poor. Blacks and Hispanics who worked full time, year round, had higher poverty rates than whites at all levels of work experience, but also showed steep declines in poverty as experience rose. The poverty rate for blacks who worked full time, full year, for example, was 25.3 percentage points less than the rate for blacks with no work experience.

## Poverty in the booming 1990s

At the turn of the 21st century, unemployment in the United States was at its lowest point ever— 4–5 percent without inflation, a circumstance viewed as impossible as late as 1996. If the labor market is important in determining poverty, then this great boom should have reduced poverty, particularly for groups with initially high rates.

The preceding analyses suggest that economic growth reduces poverty in a boom not only when employment rises but when the real wages of lower-paid and less-skilled workers also increase. Did the prosperity of the 1990s benefit these workers or did it largely benefit the well-to-do, as in the 1980s?

Table 1 suggests that lower-paid and less-skilled workers did benefit. Among all the low-earning groups I consider, hourly and weekly earnings rose, although not to their 1970s levels. These gains arrested but did not reverse the long-term rise in earnings inequality. But as long as inequality did not rise, the fruits of economic expansion were once again rather more equally distributed among the working population.

**Table 1**
**Increase in Real Wages for Selected Groups, 1996–99**

| | |
|---|---|
| Median Hourly Earnings of Workers at 10th decile | 10.2% |
| Hourly Earnings of Workers in Low-Paying Industries | |
| Retail trade | 7.0 |
| Services | 6.8 |
| Median Weekly Earnings of Full-Time Workers in Low-Paying Occupations | |
| Information clerks | 7.2 |
| Food preparation and service | 5.2 |
| Handlers, cleaners, laborers | 3.3 |
| Median Hourly Earnings of Full-Time Workers, by Ethnicity and Gender | |
| White | 6.8 |
| Black | 8.1 |
| Hispanic | 6.9 |
| All Males | 6.0 |
| Aged 16–24 | 9.2 |
| All Females | 6.8 |
| Aged 16–24 | 7.1 |

Source: Wages by decile, J. Bernstein and L. Mishel, "Wages Gain Ground," Issue Brief 129, Economic Policy Institute, Washington, DC, February 1999, tables 1 and 3, updated; wages in low-paying industries and occupations, U.S. Department of Labor, *Employment and Earnings*, Jan. 2000 and Jan. 1997; median hourly earnings of full-time workers, 1996, from *Statistical Abstract*, 1997; 1999, from U.S. Department of Labor, *Employment and Earnings*, Jan. 2000. Consumer Price Deflator, <ftp.bls.gov/pub/special.requests/cpi/cpiai.txt >.

The effect on poverty is clear from Table 2, which records rates of poverty in 1992, when the economy was at rock bottom, and in 1999, the latest full year of the boom. Poverty drops substantially for all groups, especially for those with exceptionally high poverty rates. Most striking are the declines in poverty among single-mother families. But equally clearly, when economic growth produces "genuine" full employment so that real wages as well as employment rates increase, poverty will be substantially reduced.

### How far can the rising tide go?

In 1999 the rate of poverty for persons was still in double digits, and despite the improved circumstances of single mothers, over a third of female-headed households were still in poverty. What are the prospects for reducing poverty among these residual poor?

The characteristics of those still in poverty suggest that these prospects may not be great (Table 3). Age, disability, low education, and immigrant status are all relatively common difficulties among this group.[6] All told, close to 60 percent of the adults in families poor in 1999 were unlikely to be able to benefit much from the labor market. Even if we consider only those aged 18–64, about half of poor adults are subject to problems that limit the benefits they could derive from full employment.

**Table 2**
**Poverty Reduction in the 1990s Boom**

| | 1992 | 1999 | Change |
|---|---|---|---|
| Poverty of Persons | 14.8% | 11.8% | -3.0 |
| All | | | |
| White | 11.9 | 9.8 | -2.1 |
| Black | 33.4 | 23.6 | -9.8 |
| Hispanic | 29.6 | 22.8 | -8.6 |
| Age | | | |
| <18 | 22.3 | 16.9 | -5.4 |
| 18–64 | 11.9 | 10.0 | -1.9 |
| 65+ | 12.9 | 9.7 | -3.2 |
| Poverty of Families | | | |
| All | 11.9 | 9.3 | -2.6 |
| With children <18 | 18.0 | 13.8 | -4.2 |
| Married | 8.3 | 6.3 | -2.0 |
| Single female parent | 47.1 | 35.7 | -11.4 |
| Black | 31.1 | 21.9 | -9.2 |
| With children < 18 | 39.12 | 8.9 | -10.2 |
| Married | 15.4 | 8.6 | -6.4 |
| Single female parent | 57.4 | 46.1 | -11.3 |
| Hispanic | 26.7 | 20.2 | -6.5 |
| With children < 18 | 32.9 | 25.0 | -7.9 |
| Married | 22.9 | 16.8 | -6.1 |
| Single female parent | 57.7 | 46.6 | -11.1 |

Source: U.S. Census Bureau, Historical Poverty Tables, Table 4.

Equally important is the depth of this poverty. The average income deficit for poor families (the amount needed to raise the family out of poverty) was $6,687 in 1999. Increases in family income of even $1,000 would move just 9.2 percent of families currently in poverty above the poverty line, a reduction of about 1 percentage point—not negligible, but still leaving many families in poverty.

## Full employment: Necessary but not sufficient

The evidence of reduced poverty during the economic expansion of the 1990s is encouraging, calling into doubt the gloom generated by the poverty statistics of the 1980s. Wages and employment both have risen among the poverty-prone.

But the United States cannot rely exclusively or even primarily on economic growth to end poverty. The shape of the income distribution and the characteristics of the residual poor suggest that the effect of full employment on poverty will weaken. Social policy, public or private, will be needed to bring their living standards above any measured rate of poverty. For some, income transfers may be the solution. For others, including many of the homeless, addicted, or mentally ill, more than simple cash transfers will be needed.


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**Table 3**
**Characteristics of Persons 16 and Over in Poverty, 1999**

| | |
|---|---|
| **All Poor Aged 16 and Over** | |
| Worked in 1999 | 42.1% |
| Did Not Work in 1999 | 57.9% |
| Disabled | 23.9% |
| Retired | 26.9% |
| Family difficulties | 23.4% |
| Disabled | 21.0% |
| Over Age 64 | 15.0% |
| Little Education | |
| 8 years schooling | 17.5% |
| 9–11 years schooling | 26.7% |
| Immigrant | 24.9% |
| Has at Least One "Risk Factor" (disabled, over 64, 8 years schooling, or immigrant) | 53.2% |
| **Poor Nonstudents, Aged 16–64** | |
| Worked During Survey Week | 44.5% |
| Unemployed During Survey Week | 8.1% |
| Out of Labor Force | 47.4% |
| Disabled | 14.8% |
| Retired | 6.1% |
| Worked During 1999 | 42.9% |
| Weeks worked during year | 35.9 |
| Hours worked per week | 36.0 |
| Average hourly earnings | $8.31 |

Source: Tabulated from U.S. Census Bureau, Current Population Reports, March 2000, person files.

Moreover, the experience of the 1990s cautions us that unemployment rates of 4–5 percent may be required to overpower the forces of inequality and improve the condition of low-wage workers. Anything short of those rates, which were once viewed as unsustainable, risks returning the United States to the condition of the 1980s—economic growth without reductions in poverty. If the rising tide can raise many boats, the ebb tide of recession can sink them. ■

[1]This article draws upon Richard Freeman, "The Rising Tide Lifts . . . Economic Growth and Poverty," presented at the IRP conference, Understanding Poverty in America: Progress and Problems, on May 22–24, 2000, in Madison, WI. The revised conference papers will be jointly published by Harvard University Press and the Russell Sage Foundation in a volume tentatively titled *Understanding Poverty: Progress and Prospects*.

[2]On the issue of economic growth and unemployment, see R. Haveman and J. Schwabish, "Economic Growth and Poverty: A Return to Normalcy?" *Focus* 20, no. 2 (Spring 1999): 1–7. On the historical record of poverty in the United States, see R. Plotnick, E. Smolensky, E. Evenhouse, and S. Reilly, "Inequality and Poverty in the United States: The Twentieth-Century Record," *Focus* 19, no. 3 (Summer/Fall 1998):7–14.

[3]See the article by Pavetti, in this *Focus*.

[4]S. Danziger and P. Gottschalk, *America Unequal* (New York and Cambridge, MA: Russell Sage Foundation and Harvard University Press, 1995).

[5]Plotnick and others, "Inequality and Poverty." See also the article by Burtless and Smeeding, in this *Focus*.

[6]New immigrants, largely from less developed Latin American and Caribbean countries, and with limited job skills, are likely to rise in the U.S. earnings distribution as they assimilate. But they are also likely to be replaced at the bottom by new immigrants, maintaining a constant in-flow of people who fall below the U.S. poverty line.

# Health policies for the nonelderly poor

*The most troublesome aspect of the current U.S. health care system is the very large and increasing number of persons without health insurance. Forty-one million citizens have no health insurance coverage at any point in time, including nearly a third of those with family income below the poverty line. These numbers and the percentage of the population without coverage have been increasing since 1995 even as the economy performed at very high levels.*[1]

John Mullahy and Barbara L. Wolfe

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Health in the United States is very strongly correlated with income. Poor people are less healthy than those who are better off, whether our benchmark is mortality, the numbers with acute or chronic diseases and impairments, or people's own assessment of their health (Figure 1). In this article, we explore the relationship between health and poverty and examine some of the difficulties facing low-income Americans in gaining access to health care.

## Health and the poverty population

Compared to those who are not poor, the health of the poor is more exposed to risk, whether unintentional (lead paint poisoning) or voluntary (use of tobacco). When poor people become sick, they have less access to health care and the quality of the care that they do obtain appears to be inferior.[2] One major indicator of the link between income and poverty is a significantly greater premature mortality from many causes among the poor, as Figure 2 shows. Being poor *and* living in poorer neighborhoods appear to be associated with generally worse health and earlier death.[3]

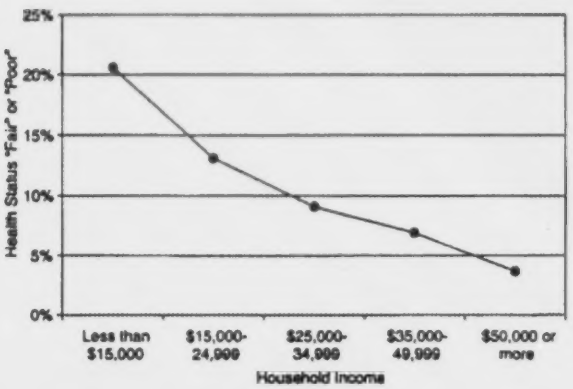


**Figure 1. Relationship between household income and "fair" or "poor" health status.**

Source: U.S. Department of Health and Human Services, *Health, United States, 1998* (Washington, DC: DHHS,1998), Table 61.

In the prosperous decade of the 1990s, those who were not poor became healthier; disconcertingly, the poor and the near-poor saw little or no improvement in their health.[4] Children's health provides telling evidence of this growing inequality. The health of nonpoor children has improved considerably over the past few decades, that of poor children hardly at all. One salient example is lead poisoning. Lead, often present in lead-laden paint and dust in older houses, puts children at risk of impaired intelligence, learning disabilities, hyperactivity, and other behavioral problems. In 1988–91, 16 percent of young children in low-income families—but only 4 percent in higher-income families—had levels of lead in the blood high enough to do damage. A report based on survey data from 1988 through 1994 found that over 8 percent of children on Medicaid still had high lead levels—this after two or more decades of effort to reduce lead poisoning.[5]

There is also a clear correlation between mental health and poverty. Those on the lowest rungs of the socioeconomic ladder are 2.5 times more likely to suffer from mental disorders than those in the highest socioeconomic group. Children in families characterized by multigenerational poverty manifest a high rate of mental illness.[6]

Other risk factors, such as homelessness or minority status, compound the effect of poverty. The poorest of the poor—homeless adults—are mostly uninsured and disproportionately in poor health.[7] One-quarter to a third have severe mental illness, about half have a history of alcohol abuse, and about a third of drug abuse. Homelessness itself can lead to malnutrition and exposure to infectious disease. Being homeless hinders treatment for illness: continuing contact with medical providers and adherence to complex treatment regimes is very difficult for homeless people, and living in shelters and on the streets is hardly conducive to recuperation.

African Americans, who are disproportionately poor, are also disproportionately subject to high blood pressure, coronary heart disease, diabetes and its complications, and sudden infant death syndrome. The higher rate of

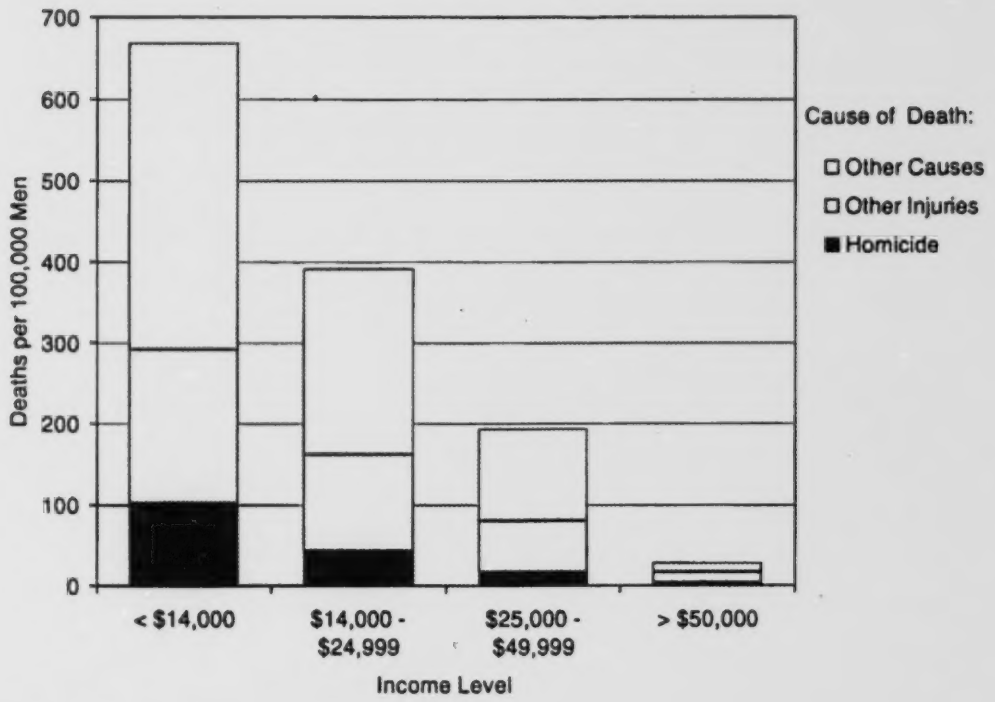


**Figure 2. Causes of death among men aged 18–44, by income.**

**Source:** J. Ludwig and others, "Socioeconomic Inequality and Race Differences in Homicides, Other Injuries, and Other Mortality Causes," unpublished ms., Georgetown University, 2000.

teen out-of-wedlock births among African Americans and Hispanics increases the risk of infant mortality and low birth weight, and may produce a continuing relationship between poverty and poor health.[8]

A major difficulty in understanding the relationship between health and poverty is determining what is cause and what is effect. For example, poor health may cause poverty by restricting the hours one can work and the kind of work one can do and by requiring costly medical care and services. But poverty may affect health by limiting one's ability to buy health insurance and to pay the direct and indirect costs of medical care. Poverty results in substandard housing or poor living conditions that may lead to ill health. But it is also possible that other, unobserved factors may drive both poverty and ill health: individuals who give little heed to the future may invest relatively little in education or other components of human capital *and* act in ways that put their health at risk.

## The health care market

Whatever the causes, the poor have a greater need of medical care than other groups. Yet in the United States, they very often find no ready access to care that they can afford.

Some of the reasons for this lie in the flawed nature of the "market" for health care, which involves problems of both demand and supply. On the demand side, consumers tend to be poorly informed and uncertain about the health care they need. The uncertain nature of the need for health care and its potential high cost leads them to seek insurance coverage against the risk of illness. But once protected against the real costs of health care, and finding it difficult to judge its quality, consumers tend to demand more care than if they were paying the full cost. Overprovision of health care services is one result. On the supply side, the entry of suppliers into the health care market is strictly limited, for example through licensing. Moreover, health care providers stand to profit from the advice they give, so that prescribing more care than is optimal can lead to greater profits, without imposing a direct cost on the (insured) patient.

These and other failures in the health care market have led to many public policies and interventions. Perhaps the most important is the subsidization of private health insurance purchases through the tax system. In addition, two groups in the population receive health care coverage directly through the public sector: those over 65 and some severely disabled people are covered through the Medicare program, and a limited set of those with very low incomes, including pregnant women and children, are covered through Medicaid.

The multiple market failures of the health care sector have also led to regulation of and subsidies to providers—regulatory oversight of the market for pharmaceuticals and medical devices, for instance, and subsidies for education, for research, and for the building of hospitals.

In spite of many different forms of intervention, the system is full of holes. Higher payments for the privately than for the publicly insured give providers a financial reason to favor high-income areas or privately insured patients. And the structure of subsidies for coverage leaves many poor and near-poor people with no or very small subsidies and no coverage.

## Who pays for health care?

In 1998, 17.4 percent of the cost of medical care in the United States was financed directly by consumers, about a third by private health insurance, and 45.5 percent by direct public spending (including 19 percent through Medicare and 14.8 percent through Medicaid). About 10 percent of the nominal private share in fact comes in the form of federal and state tax subsidies toward the purchase of insurance.[9]

### Private insurance coverage

About three-quarters of the population are covered by private plans, two-thirds of them through plans offered by employers. The tax system encourages this arrangement, because the contribution of employers to health insurance is not counted as part of an employee's taxable income. The value of this subsidy is not small ($86.4 billion in 2000, according to the U.S. Treasury). Because employer contributions represent a percentage of earnings, the subsidy is not evenly distributed, and it is worth much less to low-wage workers than to high-wage workers. Despite the subsidies, moreover, the cost of health care plans to businesses is high and growing, and more of it is being passed on to employees.[10]

*Employment-based coverage of low-wage workers.* Among the employed, low-wage workers are much less likely to be offered private health insurance through their employers than are high-wage workers.[11] The reason lies largely in the interactions between the costs of employer-provided health insurance and the tax subsidy of employer contributions. Employers who offer health insurance to employees do so by reducing cash compensation. They thus may not be able to shift all of the cost of health insurance to low-wage workers, especially those at or near the minimum wage. They may simply drop the health insurance plan or may offer insurance at so high a price that the employee declines coverage. With the possible exception of the last two years of a very tight labor market, since the late 1970s there has been a steady drop in the proportion of private-sector workers with employer-sponsored coverage, especially among the lowest-paid workers, whose coverage rates dropped by nearly 25 percent between 1987 and 1996.[12]

### Public programs

Medicaid is the main public program providing health care coverage to low-income people. A joint federal-state program, it covers nearly 11 percent of the population. In 1997, 36 million low-income persons were enrolled, including slightly more than 18 percent of all children and about 60 percent of poor children. Total Medicaid expenditures were $160 billion.[13]

Medicaid does not cover the majority of poor and near-poor adults and children, although eligibility has been steadily expanded in the last decade or so. Moreover, since the 1996 welfare reforms decoupled eligibility for Medicaid from welfare receipt, the number actually enrolled has been declining. Medicaid now requires a separate application, and access is tied to state eligibility levels from before 1996. The cutoff for eligibility is typically below the earnings from full-time, minimum-wage jobs. Former welfare recipients entering the workforce may thus lose public medical insurance for their children without being able to acquire private insurance.[14]

Access to Medicaid is not particularly straightforward. First, eligibility can differ within families, so that an infant in a family may be eligible while older children are not. Second, Medicaid is all or nothing. Most low-income persons are either eligible or they are not. If their income rises by one dollar, they may lose all eligibility. Third, eligibility requirements and coverage vary from state to state. A poor single mother whose income is 75 percent of the poverty line may receive no coverage in one state, full coverage with few constraints in a second state, and limited coverage and difficulty finding a provider in a third state.

Problems of access continue even for those enrolled. Because of low reimbursement rates, providers in some states refuse Medicaid patients. Urban areas with heavy concentrations of poor people and rural areas in general have difficulty attracting physicians.[15] Hospital consolidations and shortages of other medical personnel compound these difficulties. Medicaid recipients may find their coverage limited to specific providers or health maintenance organizations that may not have clinics easily accessible to public transport or open when adults are not working. There may be long delays for an appointment, or long waits at the time of the appointment.

In essence, the current medical welfare system, incorporating Medicaid, general assistance, other public service delivery programs, and charity care, functions as a substitute for private health insurance. Consumers face an "either-or" choice: either rely completely on public medical programs or rely completely on privately purchased insurance and care. There are relatively weak incentives for

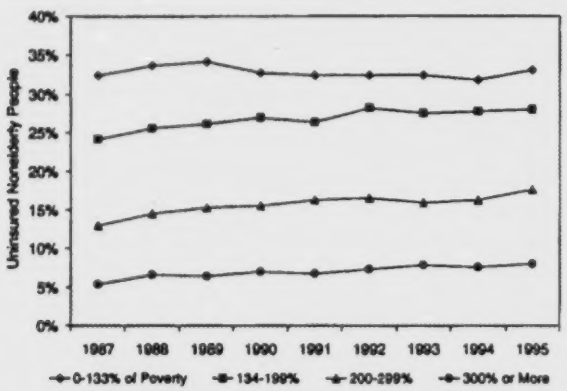


**Figure 3. Uninsured nonelderly people, by poverty level, 1987–95.**

Source: Kaiser Commission on Medicaid and the Uninsured, *Uninsured in America: Chartbook*, June 1998.

low-income consumers to contribute partially toward the cost of their coverage, and for many, the additional benefit from private health insurance is less than its cost, given the existence of the public system. Thus the availability of the public system is an incentive to employees not to accept more expensive employer-offered insurance and an incentive to employers not to offer it. The size of this effect (known as "crowd-out") is unclear, but most estimates suggest that some of those people newly covered under public programs had or could have private, employer-based coverage.

## Who does not have health insurance?

In 1998, 16.3 percent of the entire U.S. population had no health insurance, public or private. For poor people, the problem was more severe: about a third of all poor, and between 40 and 50 percent of poor adults aged 18–44, had no health insurance for the entire year. Ethnic and racial minorities were twice or three times as likely to be uninsured as were non-Hispanic whites. Perhaps another 20 million people had too little health insurance to protect them from the financial burdens of a major illness.[16]

Among those with poverty-level or near-poverty incomes, the percentage with private or public insurance was stagnant or falling from the mid-1980s until 1998 (Figure 3). For many among the poor, being uninsured is not a transient but a long-term phenomenon. Over the three years 1993–96, 9.3 percent of the poor and 10 percent of the near-poor were without health insurance, compared to less than 1 percent of those with incomes four or more times the poverty line.[17]

## How much does health insurance matter?

The amount and quality of health care that people use is influenced by many factors other than insurance. Income directly constrains choices about whether to seek care, the expense and time involved in getting to providers, and neighborhood environmental risks. Income also plays a critical indirect role, for example, in the extent of people's knowledge of appropriate medical care, of preventive measures, and of risk factors such as diet, exercise, smoking, and alcohol use. We should not expect that providing insurance will equalize the use of medical care or health status itself across all income groups. But would insurance coverage for all low-income persons influence their health and their use of medical care?

Certainly the *absence* of insurance has serious effects, especially when compounded by poverty. Table 1 shows the proportion of children who had no contact with a physician over a 12-month period. The poorer the child, the greater the probability that he or she will not see a doctor. For every income group, insured children are much more likely to see a doctor than uninsured children. But the difference between the insured and uninsured children is greater among the poor than among the other

**Table 1**
**Physician Contacts of Children under 6 Years of Age, by Poverty and Insurance Status**

| Characteristic | No physician contact in the past 12 months: 1993–94 | 1995–96 |
|---|---|---|
| All Children[a] | 8.3% | 9.2% |
| **Poverty Status[b]** | | |
| Poor | 10.6 | 11.6 |
| Near Poor | 9.9 | 10.7 |
| Nonpoor | 5.0 | 6.2 |
| **Poverty Status and Health Insurance Status[b,c]** | | |
| Poor | | |
| Insured | 7.9 | 9.3 |
| Uninsured | 21.7 | 22.1 |
| Near Poor | | |
| Insured | 8.6 | 8.9 |
| Uninsured | 13.7 | 18.4 |
| Nonpoor | | |
| Insured | 4.8 | 5.5 |
| Uninsured | 8.7 | 15.2 |

Source: U.S. Department of Health and Human Services, *Health, United States, 1999* (Washington, DC: DHHS, 1999).

Note: Average annual number of contacts, 1993–94 and 1995–96.

[a]Includes those of unknown poverty and health insurance status.

[b]Poverty status is based on family income and family size using Census Bureau poverty thresholds. Poor persons are defined as below the official Census Bureau poverty threshold. Near-poor persons have incomes between 100 and 200 percent of poverty threshold. Nonpoor persons have incomes of 200 percent or more of the poverty threshold.

[c]Health insurance categories are mutually exclusive. Persons who reported more than one type of health insurance coverage were classified to a single type of coverage according to the following hierarchy: Medicaid, private, other. "Other" health insurance includes Medicare or military coverage.

groups. The increase, between 1993–94 and 1995–96, in the proportion of uninsured near-poor and nonpoor children who had no physician contact suggests greater difficulty in obtaining care, perhaps due to the increase in managed care.

The poor receive less preventive medical care. Poor children aged 19–35 months are less likely to be vaccinated for measles than nonpoor children (86 versus 92 percent).[18] In 1994, only 44 percent of low-income women over 40 had had a mammogram in the last two years, compared to 65 percent of nonpoor women. Epidemiological studies found that uninsured patients had a 25 percent higher risk of mortality than the privately insured.[19]

The reasons for some of these problems are complex, and do not rest only with insurance but also with impediments arising from work schedules and household difficulties; some are certainly due to cultural and language impediments, others to forms of provider discrimination.[20] But in general, the poor and uninsured are less likely to have a regular source of care, more likely to use emergency rooms to treat illnesses that are not life-threatening, more likely to be admitted to hospital for treatment of conditions such as asthma, hypertension, or diabetes that could have received outpatient treatment at an earlier point.[21] There is evidence that uninsured persons with serious illnesses see doctors only half as often as the insured. In addition to delayed and forgone medical care, lack of coverage leads to financial insecurity for families, inequitable community burdens, and increased costs for businesses as the cost of caring for the uninsured is shifted to the insured.

More positively, the expansion of Medicaid insurance has reduced infant mortality rates, especially among African Americans.[22] Access to health care information and services, mostly conveyed in clinical settings, is likely to be an important determinant of individual health—for example, reducing smoking and problem drinking, encouraging regular exercise and proper diet, providing prenatal information and care, or simple screening for hypertension.[23]

For some years now, the relationship between poverty and health has been the focus of policymakers. The federal Department of Health and Human Services recently stated two central goals for the nation. The first—increasing the quality and years of healthy life— applies to all citizens. The second—eliminating health disparities—speaks directly to the problem we have described here: the effect of poverty on health status and on access to health care.[24] ■

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[1]This article draws upon John Mullahy and Barbara L. Wolfe, "Health Policies for the Nonelderly Poor," presented at the IRP conference, Understanding Poverty in America: Progress and Problems, on May 22–24, 2000, in Madison, WI. The revised conference papers will be jointly published by Harvard University Press and the Russell Sage Foundation in a volume tentatively titled *Understanding Poverty: Progress and Prospects*. Health insurance coverage data from the Census Bureau have for the last few years consistently shown 40 million or more uninsured. See, e.g., J. Campbell, *Health Insurance Coverage: 1998*, Current Population Report P60-208, U.S. Census Bureau, Washington, DC, October 1999.

[2]We define "access" as including ability to pay for care, availability of providers (supply of care), and knowledge of when to seek care.

[3]See, e.g., S. Robert, "Socioeconomic Position and Health: The Independent Contribution of Community Socioeconomic Context," *Annual Review of Sociology* 25 (1999): 489–516; J. Ludwig and others, "Socioeconomic Inequality and Race Differences in Homicides, Other Injuries, and Other Mortality Causes," unpublished ms., Georgetown University, 2000; K. Short and M. Shea, *Beyond Poverty, Extended Measures of Well-Being: 1992*, Current Population Report P70-50RV, U.S. Census Bureau, Washington, DC, November 1995. Early results from the Moving to Opportunity study, in which low-income families in impoverished central-city neighborhoods were given the opportunity to move to better-off communities, tend to confirm the influence of neighborhood poverty on violence; see L. Katz, J. Kling, and J. Liebman, "Moving to Opportunity in Boston: Early Impacts of a Housing Mobility Program," unpublished ms., Department of Economics, Harvard University, Cambridge, MA. Race and ethnicity, nevertheless, have a more important link to life expectancy than income, and individual socioeconomic status is far more important than neighborhood circumstance.

[4]U.S. Department of Health and Human Services, *Health, United States, 2000* (Washington, DC: DHHS, 2000), Table 58.

[5]U.S. Department of Health and Human Services, *Trends in the Well-Being of America's Children and Youth* (Washington, DC: DHHS, 1998); General Accounting Office, *Lead Poisoning: Federal Health Care Programs Are Not Effectively Reaching At-Risk Children*, GAO/HHES 99-18, Washington, DC, 1999. The Centers for Disease Control and Prevention sets 10 micrograms of lead per deciliter as the level at which children become subject to damage from lead poisoning.

Dental health conveys a similar picture. In 1996, untreated tooth decay was three times as common among poor children aged 2–5 (28.8 percent) as among children who were not poor (9.7 percent). Similar studies in 1971–74 had found rates of 30.7 and 17.5 percent, respectively. U.S. Department of Health and Human Services, *Health, United States, 1999* (Washington, DC: DHHS, 1999), Table 72.

[6]U.S. Surgeon General, *Mental Health: A Report of the Surgeon General* (Washington, DC: DHHS, 1999).

[7]Task Force on Homelessness and Severe Mental Illness, *Outcasts on Main Street* (Washington, DC: U.S. Public Health Service, 1992; National Coalition for the Homeless and the National Health Care for the Homeless Council, *Life and Death on the Streets: Health Care Reform and Homelessness*, Washington, DC, 1993; P. Koegel, M. Burnam, and J. Baumohl, "The Causes of Homelessness," in *Homelessness in America*, ed. J. Baumohl (New York: Oryx Press, 1996).

[8]B. Wolfe and M. Perozek, "Teen Children's Health and Health Care Use," in *Kids Having Kids: Economic Costs and Social Consequences of Teen Pregnancy*, ed. R. Maynard (Washington, DC: Urban Institute Press, 1997), pp. 181–203); B. Wolfe and S. Hill, "The Health, Earnings Capacity and Poverty of Single-Mother Families," in *Poverty and Prosperity in America at the Close of the Twentieth Century*, ed. E. Wolff and D. Papadimitriou (New York and London: Macmillan, 1993) and "The Effect of Health on the Work Effort of Single Mothers," *Journal of Human Resources* 30, no. 1 (1995): 42–62.

[9]The private share includes both amounts directly paid and insurance paid. See K. Levit, C. Cowan, H. Lazenby, A. Sensenig, P. McDonnell, and others, "Health Spending in 1998: Signals of Change," *Health Affairs* 19, no. 1 (January/February 2000): 124–32.

[10]From 1988 through 1996, real average employee contributions for health benefits increased by 14.2 percent annually for employee-only coverage and by 8 percent for family coverage. AFL-CIO, *Paying More and Losing Ground: How Employer Cost-Shifting Is Eroding Coverage for Working Families* (Washington, DC, 1998: AFL-CIO, based on KPMG Peat Marwick and HIAA data).

[11]In 1998 only 17.4 percent of persons with incomes below the poverty line had employer-sponsored coverage, and 30 percent of part-time, full-year workers lacked insurance, compared to only 15 percent of those working full time, full year. R. Bennefield, *Who Loses Coverage and for How Long?* Report P70-64, U.S. Census Bureau, Washington, DC, August 1998.

[12]E. O'Brien and J. Feder, *Employment-Based Health Insurance Coverage and Its Decline: The Growing Plight of Low-Wage Workers*, report prepared for the Kaiser Commission on Medicaid and the Uninsured, May1999; H. Farber and H. Levy, "Recent Trends in Employer-Sponsored Health Insurance Coverage: Are Bad Jobs Getting Worse?" *Journal of Health Economics* 19, no. 1 (1998): 93–120.

[13]U.S. Department of Health and Human Services, *Health, United States, 1999*. The Children's Health Insurance Program, enacted in 1997, is designed to help states expand insurance coverage to children whose families earn too much to qualify for Medicaid yet not enough to afford private insurance. In January 2000, about 2 million children were enrolled. There exist a variety of other smaller and specially targeted programs and subsidies, including block grants for maternal and child heath services, community health centers, migrant health centers, and the Indian Health Service.

In the same year, 38.8 million were enrolled in some part of Medicare, the largest public health insurance program not limited to low-income people, and expenditures reached $213 billion. U.S. Department of Health and Human Services, *Health, United States, 1999*. The vast majority of Medicare enrollees are over 65, and the program is not discussed in this article.

[14]M. Ellwood and C. Irvin, *Welfare Leavers and Medicaid Dynamics: Five States in 1995* (Cambridge, MA: Mathematica Policy Research, Inc., 2000).

[15]M. Rivo and D. Kindig, "A Report Card on the Physician Work Force in the United States," *New England Journal of Medicine* 334 (1996): 892–96.

[16]Campbell, *Health Insurance Coverage: 1998*. "Inadequate coverage" is defined as coverage that leaves a person at risk of spending more than 10 percent of income on medical care in the event of a major illness.

[17]Bennefield, *Who Loses Coverage?*

[18]The most vulnerable of children, the homeless, have particularly severe problems with health and access to health care. One study of children in emergency shelters in the state of Washington found that about a third had no health insurance and over half no regular health care provider. Not surprisingly, these children were much less likely to be immunized against measles or to have had a tuberculosis skin test. D. Miller and E. Lin, "Children in Sheltered Homeless Families: Reported Health Status and Use of Health Services," *Pediatrics* 81 (May 1998): 668–73.

[19]See, e.g., A. Bindman, K. Grumbach, D. Osmond, M. Komaromy, K. Vranizan K, and others, "Preventable Hospitalizations and Access to Health Care," *Journal of the American Medical Association* 274, no. 4 (1995): 305–11; P. Franks, C. Clancy, and M. Gold, "Health Insurance and Mortality: Evidence from a National Cohort." *Journal of the American Medical Association* 270, no. 6 (1993): 737–41; Pepper Commission, A *Call for Action. U.S. Bipartisan Commission on Comprehensive Health Care, Final Report* (Washington, DC: U.S. Government Printing Office, 1990).

[20]For example, a patient's race has been found to be an independent predictor of how chest pain is managed (i.e., whether or not the patient is referred for cardiac catheterization). K. Schulman, J. Berlin, W. Harless, J. Kerner, S. Sistrunk, and others, "The Effect of Race and Sex on Physicians' Recommendations for Cardiac Catheterization," *New England Journal of Medicine* 340, no. 8 (1999): 618–26.

[21]See, e.g., D. Wood, R. Hayward, C. Corey, H. Freeman, and M. Shapiro, "Access to Medical Care for Children and Adolescents in the United States," *Pediatrics* 86, no. 5 (1990): 666–73.

[22]J. Currie and J. Gruber, "Health Insurance Eligibility, Utilization of Medical Care, and Child Health," *Quarterly Journal of Economics* 445 (1996): 431–66.

[23]J. Hebel, P. Nowicki, and M. Sexton, "The Effect of an Anti-smoking Intervention during Pregnancy: An Assessment of Interaction with Maternal Characteristics," *American Journal of Epidemiology* 122 (1985): 135–48; M. Fleming, M. Mundt, M. French, L. Manwell, E. Stauffacher, and others, "Benefit-Cost Analysis of Brief Physician Advice with Problem Drinkers in Primary Care Settings," *Medical Care* 38 (2000): 7–18.

[24]U.S. Department of Health and Human Services, *Healthy People 2100* (Washington, DC: DHHS, 2000).

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# Investing in the future: Reducing poverty through human capital investments

*To alleviate poverty, is the best approach a hand up or a handout? If the former, how should spending be allocated among children who have many years to reap the rewards, and among adults in need of remedial education and job training?*[1]

Lynn Karoly

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Since the1960s, education and training programs, generally called "human capital" programs, have been an important strategy for alleviating poverty. Public programs specifically designed to increase the educational achievement of poor children and to raise the skills and labor market prospects of adults at the bottom of the economic ladder can be considered public investments, in the same sense that public education is an investment. Thus, instead of reducing poverty today, these programs make investments today in the expectation of alleviating poverty in the future.

The interest in these programs derives from the evidence that low levels of investment by family and society in the education and development of disadvantaged children translate into poorer economic outcomes when those children grow up—reduced employment and lower wages for young adult men, higher rates of early and out-of-wedlock childbearing for young women, and lower household income. This "investment gap" and the disparities in economic well-being that follow may be troubling, but would more equal investments lead to more equal outcomes? In this article I briefly review the most common human capital investment strategies at different stages in the life cycle, and suggest some of the issues that confront researchers and policymakers. Can government programs that make such investments improve the circumstances of the most disadvantaged people? Which strategies have proven to be effective? What trade-offs exist, and do the results justify the costs?[2]

## Investing in preschool children

Our understanding that the early years of life are crucial for future cognitive and emotional functioning, reinforced by new research in neurobiological development, underlies the continuing strong interest in early childhood intervention programs. These programs aim to promote cognitive and social development, emotional self-regulation, and, usually, good health and nutrition among preschool children, especially those at risk of developmental delays.

The programs offer, in varying combinations, services such as parenting classes, home visiting, and center-based educational daycare.[3] The largest and best known is Head Start. Many other programs have been implemented on a small scale for a limited time, often with experimental designs that randomly assigned participants to treatment and control groups. Among the best known are the High Scope/Perry Preschool project in Michigan (1962–67), the Carolina Abecedarian Project (1972–85), the Infant Health and Development Program (1985–88), the Elmira Prenatal/Early Infancy Project (1978–82), and the relatively large-scale Chicago Child Parent Centers (CPC), a publicly funded, school-based preschool and follow-on program that began in 1967.[4]

These programs incorporate a wide range of strategies. They use different eligibility criteria, for example, family income or socioeconomic status, health, or cognitive development. Some intervene before or soon after a child's birth, others begin in later infancy or early childhood. Services may focus on the child, the parent (typically the mother), or both.

Because these programs tend to be local in reach and small in size, the validity of the evidence they offer has been questioned. Not all programs show comparable gains. But several comprehensive reviews suggest the following broad conclusions:

1. *Cognitive gains.* Many of the intervention programs produced short-term cognitive benefits that faded once the participants reached school age. An exception is the Abecedarian program, a very high quality, intensive intervention.

2. *Educational gains.* Though IQ gains may attenuate, there are often lasting educational effects. Participants are significantly less likely to be placed in special education classes or to be retained in grade, and more likely to complete high school.

3. *Economic gains.* Long-term follow-up shows that educational gains can translate into better jobs and higher

incomes in young adulthood; the clearest example of this is among participants in the Perry Preschool Project.

4. *Delinquency.* There is evidence that rates of crime and delinquency and contact with the criminal justice system are reduced during adolescence and young adulthood.

5. *Family formation.* More limited evidence suggests that, compared with controls, programs can lower rates of teenage pregnancy and allow participants to better plan and space the births of any children.[5]

That is, mostly, good news. It is less clear that early intervention programs change developmental trajectories. Although many participating children show significant and lasting improvements, a gap often persists between their achievement levels and those of more advantaged peers. These programs clearly do not compensate for all the disadvantages facing the children.

Several features appear to differentiate the successful from the unsuccessful programs. Successful programs include earlier and more sustained intervention and an intensive set of services delivered by highly trained professionals following a rigorously developed curriculum. In addition, the Chicago CPC and the Abecedarian program results show that it is possible to enhance or at least sustain the effects of early intervention by continuing involvement beyond the preschool years.[6] But the CPC results in particular suggest a "threshold" effect: educational gains remain relatively flat until children have been in the program for 5 or 6 years. If that is so, less intensive and shorter programs may have no effect at all.

Some successful programs, although they have high levels of staff and services, have also proved to be quite cost effective—notably the services for high-risk single mothers in the Elmira program, the Perry Preschool Program, and the Chicago CPC program.[7] Interventions seem to work best for those at the highest risk—in the Elmira study, for example, the net individual and social benefits for the lower-risk, better-functioning group of mothers were much lower than those for the high-risk group.

## Investing in school-age children and youth

Controversies over the quality and curricula of U.S. schools, particularly in low-income areas, have drawn intense public and political attention and many proposals for improvement.[8] Do additional investments in school quality improve educational outcomes, especially for disadvantaged children? Analysts disagree on how much has actually been spent and on the effects of the investments; indeed, the evidence is very mixed.[9] Simply increasing per-pupil expenditures does not appear to be the answer. Rather, it is how resources are spent—for lowering class size, raising teachers' salaries, or improving their training—and for which groups of students—younger versus older, minority or disadvantaged versus the more affluent—that determine whether greater school spending produces better returns.

Two popular reform initiatives, directed primarily at elementary school children, are reductions in class size, and school choice—allowing parents wider latitude in choosing schools for their children.

### Class size

One random-assignment experimental evaluation, Project STAR in Tennessee (1985–1989), consistently showed that children who spent kindergarten through third grade in smaller classes of about 13–17 students scored significantly higher on standardized tests than similar children placed in regular-size classes. Results were especially impressive for African-American students, for students in inner-city schools, and for children receiving free lunches.[10]

The strong findings from the Tennessee experiment and other studies support the view that school resources are likely to be especially important for minority and disadvantaged students. The effects of class size, in particular, seem to be greatest when the reductions take place in earlier grades and continue for several years.

### School choice

The disparities in quality often apparent in inner-city schools have suggested another approach to improving educational outcomes—allowing parents to choose from a wider array of schools. Supporters of school choice argue that poorly performing schools would be forced to improve if they had to compete for students. A corollary argument is that parents should receive publicly funded vouchers so that their children could attend private schools or public schools in other districts. This argument is increasingly popular, despite strong opposition from those who argue that choice programs would further drain resources and motivated students from public schools. There is simply not enough evidence to judge what the consequences might be, either for children who transfer to new schools or for those who remain in the public school system. And the future of voucher programs in particular remains uncertain, for they have been frequently and successfully challenged in the courts.[11]

### Programs for older students

Strategies for improving school attainment among older students have targeted low-achieving children and youth themselves rather than the schools they attend. Areas of particular concern are high school dropout, especially among Hispanic youth, and the transition to stable employment, which takes longer for high school dropouts and the most disadvantaged minority youth.[12]

*Dropout prevention.* Myriad programs and services, many of them with private-sector funding, are designed to keep youth in school and raise their achievement. Most have not been formally evaluated and there is very little evidence about their effectiveness. One program that has been carefully studied is the Quantum Opportunity Program, which offered learning, development, and service opportunities, along with modest cash and scholarship incentives, to minority youth in families receiving welfare and living in poor neighborhoods. The program improved high school graduation and college attendance rates and diminished delinquency among participants; it is being replicated elsewhere.[13]

*School-to-work transition programs.* Such programs include traditional vocational education, cooperative education (schooling combined with part-time work), career academies, technical preparation, and apprenticeships. Few of these programs have been systematically evaluated, and there is little evidence regarding their effectiveness.[14]

## Youth employment and training programs

These programs, many of them in place since the 1960s, seek to improve employment for young people who are already disconnected from the educational system and the labor market. Among them are Job Corps (1964–), and federal programs that evolved following the 1973 Comprehensive Employment and Training Act (CETA) and the 1982 Job Training Partnership Act (JTPA). There are also a few small-scale demonstration projects. Unlike the school-to-work programs discussed earlier, these targeted "second-chance" programs have been extensively evaluated.[15]

The evaluations largely agree that these programs, particularly the less intensive ones like JTPA, have failed substantially to improve employment or earnings for participants and that the costs to individuals and especially to society as a whole have mostly outweighed the benefits. Somewhat exempted from this bleak assessment is the more intensive Job Corps program. Participants appear to be doing significantly better than nonparticipants in a number of areas: they are more than twice as likely to have earned a GED and are earning about $1,000 more a year than nonparticipants.[16]

Why are these programs ineffective? Several reasons have been suggested:

- Unless labor markets are tight, employers may be more reluctant to hire young people, especially those without a diploma.
- Those features of youth culture that reject school, discipline, and strong labor force attachment also militate against these programs. And unsupportive family environments may be a negative influence.
- The programs themselves may not be tailored to meet the more complex needs of adolescents, compared to adults.[17]

## Investing in adults

A sizable fraction of young adults enter the labor market with insufficient schooling or skills to provide them and their families a standard of living above the poverty line. These deficits follow them throughout their labor market careers unless remedied, for example, by public education and training programs. Disadvantaged adults targeted by such programs fall into two main groups: those voluntarily seeking employment services and welfare recipients.[18]

The history of these programs is one of consolidation and devolution, under CETA, under JTPA, and under the 1998 Workforce Investment Act, which gives vouchers to disadvantaged workers to purchase training and went into effect in mid-2000. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 reoriented the welfare programs of many states and localities toward "work first"—efforts at job placement and retention come first, and formal classroom or on-the-job training are offered only if the welfare recipient fails to find a job.[19]

Serious efforts to evaluate adult education and training programs, including those known as "welfare-to-work," date back to the 1970s. Recent reviews agree that adult training programs appear to be most effective for women and show small or nonexistent benefits for men, but this conclusion rests on a basis of variable and inconsistent research. Welfare-to-work programs show greater promise of raising earnings and more consistent results for different subgroups than do other education and training programs.[20]

### Voluntary employment and training programs

Most government training programs represent only a small investment in human capital acquisition, costing less than a year of school and requiring far fewer hours of training. Even at best, they raise earnings by about $1,000–$2,000 a year.[21] Given that welfare payments also usually decline as earnings increase, these earnings gains are not enough to raise family income above the poverty line.

### Welfare-to-work programs

There appears to be greater uniformity in the employment and economic effects of these programs, especially those implemented under the Job Opportunities and Basic Skills (JOBS) program.[22] Most of them increased earnings and reduced welfare overall during the years that participants were followed, but there was no effect on combined income from work, welfare, and food stamps.

Moreover, the earnings of the most disadvantaged groups, such as long-term welfare recipients, increased about as much as the earnings of the less disadvantaged, and the earnings gap between the two groups did not close.

Even within programs, results have been quite variable across sites. In the California program Greater Avenues for Independence (GAIN), for example, the Riverside office, one of six sites studied, produced dramatically better results than any other site. During the debates over welfare reform, the relative success of the Riverside program's rather rigorous "work-first" approach was often cited by those advocating the welfare-to-work philosophy.

For both job training and welfare-to work programs, the longer-term benefits are more difficult to ascertain. In most cases, training programs appear to be effective in increasing earnings by raising employment rates rather than wages; this suggests that the long-term benefits may be smaller. Indeed, there is some evidence from longer-term follow-up with welfare-to-work participants that earnings gains tend to fade over time. And when the modest benefits of job training and welfare-to-work programs are compared with the costs, most programs do not appear to be a very worthwhile investment. Of all the programs studied, only the Riverside GAIN and a Los Angeles program based upon it, Jobs-First GAIN, show positive benefits for both program participants and society as a whole.[23]

## Human capital investment strategies: Research and policy issues

Although human capital investment strategies differ depending upon the ages of the population for which they are intended, several common issues confront researchers and policymakers who wish to make sound decisions about public programs. They include:

### 1. Program targeting

When those individuals or institutions that can benefit most from a particular strategy are properly identified, and resources are directed to them, programs will obviously generate better returns. For children and adolescents, for example, school reforms or school-to-work programs may target schools in disadvantaged communities, whereas dropout prevention and job training may target specific populations of youth who are at risk.

But targeting carries with it the possibility that the disadvantaged children, youth, and adults who participate may be stigmatized and isolated. At-risk children and youth may benefit more from participating in programs with peers who are not so threatened, and who can provide role models and positive reinforcement for improved performance. Programs that are more universally applicable are often more solidly supported by the public than those limited to small subgroups of disadvantaged people. And often existing research is simply insufficient to define and identify the population that should be targeted by a particular program.

### 2. Choosing optimal program design

We only imperfectly understand how best to design programs to serve many disadvantaged subgroups—the poor versus the near-poor, children or adults with disabilities, immigrant children and adults. Too often, evaluations have made little effort to understand *why* the program works or fails, in whole or in part. There is clear need for more research that seeks to identify the optimal mix, intensity, and timing of services for particular populations. And if there is value in integrating investment strategies across the life course, for instance from preschool to school years, we also need to learn more about how best to integrate across programs and service providers.

### 3. Implementing model programs on a larger scale

Many of the most promising investment strategies have been implemented only on a small scale or in single sites, in some cases by private or nonprofit organizations promoting them as models for public-sector implementation. It is always a question whether public agencies can replicate on a large scale the results of small experiments. But program effects might even be larger, because of "social multipliers" that amplify behavioral changes beyond those observed for participants in the model program.[24]

### 4. The implications of welfare reform

Many of the programs I review here were implemented in a very different policy environment, before the 1996 welfare reform legislation dramatically altered many aspects of the social safety net. The new emphasis on work, self-sufficiency, and the temporary nature of public assistance may reduce the money and time that low-income parents can invest in their young children. Such an outcome would place even greater importance on the types of public investment I have discussed. The new social services environment may also alter the effectiveness of programs that were often designed to be integrated with income support and service delivery programs that have now been superseded. To be most effective, for example, some early childhood intervention programs may need to incorporate new services or program features to compensate for the changes in the social safety net. If they do so, the relationship between the costs and benefits of the program, among other things, may alter.

## Is there an optimal investment strategy to reduce poverty?

At first glance, it might appear that early childhood intervention programs offer the best investment. These pro-

grams return roughly $3 or $4 for each dollar invested, whereas job training programs for adults typically fail even to return the original investment.[25] But any new resources must be effectively deployed by drawing on proven models and preserving the intensity of program services. This may mean serving smaller population groups than is ideal, and hoping to broaden coverage as resources allow. Variations in program models should be rigorously evaluated. At a minimum, most proven models would benefit from process evaluations that assess the fidelity of the program as implemented to the program as designed.

But there are arguments in favor of continuing public human capital investment programs for the least advantaged throughout the life course. First, not all persons at risk can be identified early. The individual, family, and community factors that threaten well-being are not static. Adolescents veer off course, families break apart, employment slumps. If programs are available only for narrow windows of opportunity, individuals and families may find no resources to turn to when they are most in need.

Second, the needs of the most disadvantaged are so great that they require long-term human capital investment. If there is no sustained investment in poor-quality elementary schools, for instance, the gains from early intervention programs like Head Start erode. In a rapidly evolving global economy, low-income and disadvantaged workers in particular may need access to publicly provided education and training.

Third, a continuum of human capital investment opportunities may develop synergies that generate an even greater cumulative impact. Investments in early childhood education may allow children to take better advantage of education during the school years and reduce the need for remedial programs in elementary school. Simultaneous two-generation investment strategies that promote economic self-sufficiency among parents and offer services for their children may produce effects larger than those yet measured.[26]

If these arguments are valid, the optimal investment strategy through the life course will involve a continuum of services, potentially integrated over time to serve the needs of children, youth, and adults who continue to face disadvantages that place them at risk of low economic attainment. Among the approaches that have most merit, based on rigorous evaluation and favorable cost-benefit assessment, are:

- High-quality, intensive, center-based early childhood programs that promote cognitive and social development and behavioral competence, and transitional services that continue into the early grades.
- Home visiting services to young, high-risk, first-time mothers, beginning in the prenatal period and continuing through the first few years of the child's life.
- Reduced class sizes in the early grades for schools serving disadvantaged children.
- Residential Job Corps programs for school dropouts.
- Employment-focused welfare-to-work programs for single mothers.

Most likely, effective poverty reduction strategies will need to rely on traditional income transfers and other direct assistance programs also. Human capital programs are no panacea. But the menu of programs above offers a starting point for a life course investment strategy.

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[1]This article draws upon Lynn Karoly, "Investing in the Future: Reducing Poverty through Human Capital Investments," presented at the IRP conference, Understanding Poverty in America: Progress and Problems, on May 22–24, 2000, in Madison, WI. The revised conference papers will be jointly published by Harvard University Press and the Russell Sage Foundation in a volume tentatively titled *Understanding Poverty: Progress and Prospects*.

[2]My emphasis is on human capital investment strategies in the form of intervention programs that may be publicly provided, but many other factors not discussed here contribute to eventual adult attainment—investments by parents, kin, and communities, environmental factors, genetic endowments, and children's own choices as they grow up. See R. Haveman and B. Wolfe, *Succeeding Generations: On the Effects of Investments in Children* (New York: Russell Sage Foundation, 1994).

[3]On child care programs more generally, see D. Vandell and B. Wolfe, *Child Care Quality: Does It Matter and Does It Need to Be Improved?* IRP Special Report 78, University of Wisconsin–Madison, 2000.

[4]These and other early childhood intervention programs were the primary topic of *Focus* 19, no. 1 (Summer-Fall 1997).

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[16]P. Schochet, J. Burghardt, and S. Glazerman, *National Job Corps Study: The Short-Term Impacts of Job Corps on Participants' Employment and Related Outcomes* (Princeton, NJ: Mathematica Policy Research, 2000).

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[21]LaLonde, "Promise of Public Sector-Sponsored Training Programs."

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# Welfare policy in transition: Redefining the social contract for poor citizen families with children

*The Personal Responsibility Act significantly altered the safety net. A system that once provided ongoing income maintenance to poor families with children now serves a dual purpose: providing cash assistance and helping families make the transition from welfare to work.*[1]

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The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 represented a decisive break with the existing structure of welfare. In perhaps its most radical change, the act ended individual entitlement to benefits, leaving it to states to decide when and under what conditions to provide benefits. It also eliminated Aid to Families with Dependent Children (AFDC) and its ancillary welfare-to-work training program, Job Opportunities and Basic Skills (JOBS). Citizens who had been entitled to receive income support through AFDC for as long as they met the eligibility criteria now had to apply for assistance through a state- or locally designed program, Temporary Assistance for Needy Families (TANF), in which eligibility was linked to compliance with programs designed to foster employment.

After passage of the act, states were free to develop entirely new approaches to providing assistance to poor families with children. In this article, I outline the central features of the new, work-based federal policy and administrative environment, and discuss state policy responses to their new freedom. We will see that the legacy of AFDC and JOBS is still potent.

## The federal policy framework

The federal policy framework for TANF established explicit work participation requirements and penalties for noncompliance, time limits, a narrow definition of "assistance," and continued eligibility for other safety net programs such as Medicaid and Food Stamps.

### TANF work requirements

In contrast to JOBS, which emphasized placement in long-term education and training, the Personal Responsibility Act imposed explicit and steadily increasing work expectations upon both states and welfare recipients. States must require that TANF recipients work after they have received no more than 24 months of assistance. Unsubsidized or subsidized private- and public-sector employment, on-the-job training, and brief periods of job search and job readiness assistance all count as "work." States that fail to meet federal work participation rates may incur substantial and increasing financial penalties, equal to a minimum of 5 percent of their block grant.

All families must participate in work and work-related activities except for those families that have a child under 12 months, if the state chooses to exempt them. If families refuse to participate, states must impose penalties that include at least a partial reduction in benefits and restrictions on eligibility for the Food Stamp Program. States may also deny Medicaid benefits to adults in noncompliant families, though not to children. Thus if a state were to exercise the most stringent sanctions in its power, a family in which the head of the household did not comply with work requirements could lose all its public benefits except Medicaid coverage for the children.

### Time limits

Families on assistance may receive TANF funds for no more than five years, although states can exempt up to 20 percent of the caseload from the federal time limit on ground of "hardship" (this is left to the state to define). Families will begin reaching this limit in 2001 at the earliest (although states can impose a shorter time limit and some have chosen to do so). States are, however, free to use TANF funds to provide "supportive services" to families beyond that time, if these services are not intended to help families meet their basic needs. And states can use their own funds to provide assistance to families that have reached the five-year limit. By setting a narrow definition of "assistance," the Department of Health and Human Services has made it easier for states to use TANF funds to provide services and supplemental income support to working families.[2]

### Continued eligibility for other safety-net programs

The Personal Responsibility Act was not intended to restrict the access of poor citizen families to other programs in the safety net, especially Food Stamps and Medicaid (although legal noncitizen immigrants and single

able-bodied adults were excluded).[3] The majority of AFDC recipients participated in the Food Stamp Program, over which states had and continue to have little discretionary power. Food Stamp eligibility rules for citizen families with children did not change in 1996, and there was thus little concern that families might be denied food stamps because AFDC had been eliminated. This, as we shall later see, proved not to be the case.

States do, however, have considerable discretionary power over Medicaid. Before the Personal Responsibility and Work Opportunity Reconciliation Act, AFDC was, for adults, almost the only real pathway to Medicaid benefits because recipients were categorically eligible. While ending AFDC, the act stipulated that families would continue to be eligible for Medicaid if they met the standards that had been in place under state AFDC plans in July 1996. This provision "delinked" eligibility for Medicaid from eligibility for TANF benefits.

States could elect to change Medicaid eligibility by lowering or increasing income standards, subject to certain restrictions, or by adopting income and resource methodologies less restrictive than those used in July 1996. The last option allowed them to extend Medicaid coverage to working poor families who would not usually have qualified under the AFDC criteria.

#### Increased emphasis on child support enforcement

The Personal Responsibility Act broadly altered the design and structure of the child support enforcement system. New obligations were imposed on states, which must establish child support enforcement programs that meet federal guidelines, and on TANF recipients, who must assign their child support rights to the states and cooperate with all efforts to collect support.

## A new administrative framework

The 1996 legislation greatly reduced the role of the federal government in designing and regulating the provision of assistance. States were given considerable liberty to develop new programs. A more flexible, but fixed, funding stream (a block grant) replaced federal/state cost-sharing that rose and fell with actual expenditures. States were, however, required to maintain their share of spending at 75–80 percent of their current levels; this is known as the maintenance-of-effort requirement (MOE).

Because block grants were set by complex formulas based on state welfare caseloads between 1992 and 1995, states that experienced significant caseload declines after those years are in the unusual position of having far more money available per family than they have traditionally spent, with fewer constraints on how they might spend it. They can use TANF and MOE funds to fill shortfalls in affordable housing or health insurance coverage, and do not need to establish uniform eligibility criteria for each program. They can, for example, direct employment-related services to families with incomes below the poverty line, while directing services for youth at risk to a much broader pool of young people.[4] They can use TANF money for diversionary programs that offer applicants for welfare other alternatives, such as short-term loans.

## State policy choices

During the early stages of TANF, states mostly shifted to a short-term, work-oriented assistance system. Key state policy choices have centered on how to restructure cash assistance, mandate work, impose time limits on the receipt of assistance, and support families in their transition to employment. As these programs become more established and states become more comfortable with the considerable flexibility they have been given, the focus of their efforts is likely to broaden, making it more difficult to compare programs within a consistent framework.

#### Maintaining cash assistance payments

Despite fears to the contrary, nearly all states have maintained a cash benefit structure and benefit levels for nonworking families that are comparable to those in place before 1996. The majority of states (33) have affirmed that cash assistance will be provided to all families eligible under their state policies. Seventeen states have language explicitly stating that there is no entitlement to cash assistance.[5]

The most common change has been to extend eligibility to more working families. Wisconsin is the only state that counts all family earnings in considering eligibility for assistance. In most other states, the amount of earned income that is not taken into account ("disregarded") in calculating benefits is more generous than it was under AFDC.

Why have states not used their new flexibility to reduce benefits? First, the concern that states would do so reflected an income maintenance system rather than a work-based system. Instead of lowering benefits, states made welfare receipt less attractive by imposing new conditions for eligibility. Second, the caseload declines have left states with more than enough money to maintain the current benefit levels, to provide benefits to all who meet eligibility criteria, and to extend benefits to working families. Last, states have implemented their TANF programs during a period of unprecedented economic growth. They have not yet had to decide how to provide benefits in a time when more people are applying for benefits and fewer families are able to meet work requirements.

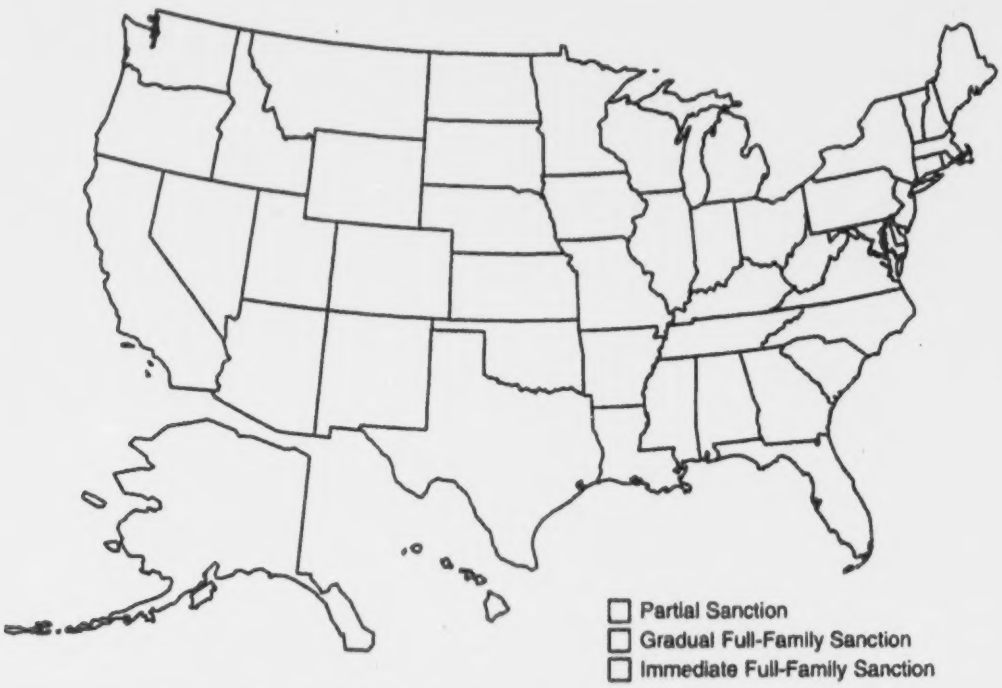


**Figure 1. Sanctions policies for noncompliance with work requirements.**

**Source:** Data from State Policy Documentation Project.

### Mandating "work first"

Although the Personal Responsibility Act gave states some flexibility to place recipients in vocational training programs, most have shifted almost entirely to a work-first approach built on the belief that any job is a good job. Most programs are geared toward helping recipients look for jobs for which they are currently qualified.[6]

In most states, recipients must look for work long before the end of the two-year period specified in federal law. Twenty-one states now require applicants for assistance to participate in a job search or other work-related activity as a condition of eligibility. In most other states, participation is expected soon after an application is approved.[7]

Even though work-first programs share a common philosophy and goals, they vary substantially in design and structure. In some, recipients are expected to look for work on their own and are provided with no real assistance. In others, recipients receive classroom instruction on job search—how to locate and apply for available jobs, write a résumé, and interview. Some states include life skills classes or short-term training, usually lasting no more than six weeks.

The strong economy and programs that emphasize immediate employment have resulted in large caseload reductions. These have made it possible for many states to meet their federal work participation requirements primarily through credits received for these reductions, rather than through placing recipients in jobs. Nevertheless, in fiscal year (FY) 1998 nearly three-quarters of participating families were employed in unsubsidized jobs.[8] Nationwide, few TANF recipients in any state participated in subsidized employment, on-the-job training, job skills training, or education related to employment, though in some states larger numbers held community service jobs or participated in job search or vocational training.

### More stringent sanctions than required by federal law

Because almost all recipients are now expected to work, states have established more stringent enforcement policies than existed under AFDC, to demonstrate to recipients that there are consequences for not following program rules.

Thirty-seven states have chosen to implement "full-family" sanctions that make the entire family ineligible for cash assistance if family members do not comply with work and other requirements intended to reinforce personal responsibility. Six states still use the sanctions in place under JOBS, and even the ten states without full-family sanctions have increased the financial penalties for noncompliance, for example, by providing assistance to sanctioned families only in the form of voucher payments to vendors. (See Figure 1.) In seven states, a welfare

recipient who continually or repeatedly fails to comply with the rules may be barred for life from receiving cash assistance.

Nineteen states have chosen to eliminate Food Stamp benefits if the family head does not comply with work requirements, and 12 states render noncompliant adults ineligible for Medicaid benefits.[9]

The evidence on how sanctions are being implemented suggests that many families have lost benefits, although states vary. The few studies that have looked at sanction rates find that between 26 and 45 percent of families subject to work requirements have been sanctioned.[10] But because the largest states have not implemented full-family sanctions, more than half of all TANF recipients are not subject to them.

### A range of approaches to time limits

State choices in setting time limits have been extremely varied. As with sanctions policies, the states with the largest caseloads have less restrictive time limits. California, New York, Texas, and Michigan, for example, account for 45 percent of the national assistance caseload, but they either have no time limit (Michigan) or reduce but do not terminate benefits when the time limit is reached.

State rules governing time limits are, however, only part of the story, for states may also invoke extensions and exceptions to limits. Connecticut, for example, grants six-month extensions to families who make good-faith efforts to find employment but have incomes below the welfare benefit when they reach the time limit. The most common exemptions are for families with a disabled member.

### Increased emphasis on work supports

The emphasis on supporting employment is most apparent in vastly increased state budgets for child care subsidies. In the first two quarters of FY 1999 states spent $248 million of federal TANF funds and $578 million of their own funds on child care. Even so, in some states the increase in spending has not kept pace with demand.[11]

Transportation has been another significant barrier to employment for poor people. Indeed, under JOBS, recipients who did not have access to transportation were generally exempted from participation. States can now use TANF and MOE funds to address systemic, not merely individual, transportation issues, and a number of innovative programs have emerged.[12] Kentucky, for instance, guarantees transportation to welfare recipients through a statewide network of regional providers, each of whom contracts with the state to furnish transportation to all TANF recipients in the area.

## Creating a new infrastructure to support welfare reform

Given new flexibility to shape their welfare programs, states could choose to stay with the existing structure, turn over responsibility for welfare to another agency, or create a new agency. They could develop policies at the state level that would be administered locally, or could allow local governments to develop their own policies. States and counties could, if they chose, contract with private or not-for-profit agencies to operate all or part of their TANF programs.

Regardless whether a state created an entirely new infrastructure or maintained its existing one, all welfare offices had to make employment an integral part of their assistance programs. Doing so has meant sending an entirely new message to workers and clients alike. AFDC's message was that the agency would support families as long as they were eligible. TANF's message is that the agency is there to help families gain a foothold in the labor market so that they can eventually make it on their own. Successful negotiation of this transition involves major changes in the "culture" of welfare agencies and in the perspectives and roles of their officials.[13]

### Developing new administrative arrangements

State AFDC programs were operated either through a state policy and administrative framework or through a state-supervised, county-administered system. Regardless of the framework, all local areas within a state operated under the same policies. With the greater flexibility and local discretion of TANF, the distinction between the two systems is becoming blurred. Local offices in state-administered systems such as Oregon and Indiana now have substantial local autonomy to develop programs.

Broadly speaking, states have adopted one of four different arrangements to implement the new emphasis on employment. Under the most common structure, the welfare office acts as the sole administrative agency. In a modified version it shares administrative responsibility with an agency from the workforce development system. In some states, responsibility is shared between the welfare office and a newly created, community-based entity. Some states have merged the welfare and workforce development systems in one agency that is responsible both for determining eligibility and for managing the caseload (this has generally been a redefined workforce development agency).

Within these new organizational structures, some states, like Oregon and Michigan, have redefined staff responsibilities to create a new worker who is responsible for all aspects of eligibility determination and case management for recipients (now often called "customers"). Others, like Virginia, have increased the number of staff

devoted to employment issues but have maintained separate workers to determine eligibility and handle employment-related tasks. Still other offices (St. Paul, Minnesota, and San Diego) determine eligibility but have transferred case management to private-sector vendors.[14]

Regardless of the administrative structure, most local TANF agencies work with intermediaries to help clients find employment. These public or private brokers between the welfare system and employers recruit, train, and place recipients, and may provide services to help them retain the job. A study of communities in ten states found that well-established nonprofit organizations accounted for 67 percent of intermediaries overall, and 74 percent in urban areas. For-profit organizations accounted for only 15 percent of the organizations, but because of their size served 45 percent of all TANF clients that were served by intermediaries.[15]

### Adjusting to new financial arrangements

The change from open-ended entitlement funding to a fixed block grant has so far had little effect on individuals' entitlement to benefits, because states have so much more money per recipient than before. Indeed, 46 states have more money than they would have had under AFDC. And even though most states have reduced the state share of welfare expenditures to the 75–80 percent MOE required by federal law, 21 states were spending more per recipient in 1998 than they were before TANF.[16]

Wary of creating new programs that might not be sustainable over the long term, and uncertain how much flexibility they really have, states have been slow to spend block grant funds on services for TANF or other poor families. At the end of 1999, 32 states had not spent all of their allocations.[17] In Wyoming, 58 percent was still unspent, in Hawaii and Wisconsin, only 2–3 percent remained. But most states have met or exceeded their MOE requirements, largely by spending state dollars first.

Preliminary evidence suggests that states are spending their funds differently—less goes to cash assistance, more to child care and child development programs. In Wisconsin, for example, spending on cash assistance declined by 77 percent while spending on children's programs rose by 168 percent. Nationally, however, only 37 percent of the savings on cash assistance went toward increased spending for children.[18]

## Evaluating the consequences of welfare reform

Under AFDC, a state's benefit level was generally used as a measure of its commitment to poor families. Now that state TANF programs vary so greatly, evaluating their responsiveness to the needs of vulnerable families has become much more complicated. Regardless of how one defines a strong safety net, any effort to categorize state efforts should examine the extent to which they (1) use earned income disregards or other financial incentives to reward work; (2) fund and promote other work supports such as child care and Medicaid or food stamps; (3) rely on enforcement to promote work; (4) encourage participation in activities that prepare people for work, such as education and training, or treatment for mental health problems and for alcohol and other drug addictions; (5) provide cash assistance to nonworking families.

Comparing policies along so many different dimensions is a complex endeavor, and our information on the outcomes associated with any of the different state "policy bundles" is still quite limited. But some preliminary findings about the impact of the welfare changes on families are beginning to emerge.

## How citizens are faring under welfare reform

The findings from early studies are complex. Welfare reform has helped some families to gain a foothold in the labor market and raise their standard of living, even if only by a small margin. Some families no longer receiving assistance are not working and report little or no income; not much else is known about them.

### Increased employment, but at low wages

Early studies of people leaving welfare show that between one-half and three-quarters of parents are employed shortly after leaving the rolls. Former recipients typically work more than 30 hours a week during the weeks in which they are employed. Average hourly wages for those working range from $5.67 to $8.42, and average reported annual earnings range from $8,000 to $15,144, leaving many families below the poverty line.[19] A recent study by Robert Schoeni and Rebecca Blank found that changes in employment were mostly driven by the economy, not by TANF. Family income increased primarily because other family members increased their employment enough to offset the loss of cash assistance.[20]

### For some families, less welfare and increasing poverty

Rates of unemployment are especially high—from 20 to 50 percent—among families that have left welfare because they were sanctioned. There is limited information on how these families are making ends meet and whether their disconnection from the labor market is temporary or permanent.[21]

Between 1995 and 1997, the poorest 20 percent of single mothers experienced a significant decline in their average disposable incomes, largely due to substantial decreases in income from means-tested programs and small decreases in earnings. Moreover, the poverty gap among children (the amount necessary to raise the incomes of those below poverty to the poverty level), which had

declined by 17 percent from 1993 to 1995, remained relatively stagnant between 1995 and 1998, primarily because children who remained poor became poorer.[22]

**Modest reductions in child poverty from child support collections**

Rates of child support collections remain low, but child support does seem to make a substantial difference for some families. Among poor children, child support accounts for 26 percent of family income among those families that receive it. Among the 13 states surveyed in the National Survey of America's Families, an Urban Institute study, child support lifts about half a million children out of poverty, reducing the poverty gap by $2.5 billion (8 percent).[23]

**Declining participation in the Food Stamp and Medicaid programs**

The number of persons receiving Food Stamp benefits fell by 27 percent from FY 1996 to the first half of FY 1999. As with the decline in cash assistance caseloads, there is much interstate variation—declines range from 48 percent in Vermont to 5 percent in Nebraska. And for the first time in almost a decade, Medicaid enrollment for children and their parents began to fall in 1996; it has fallen steadily ever since.[24]

There are no definitive studies of the reasons for these declines, but they appear to be linked, at least in part, to the implementation of welfare reform. Diversion programs that discourage families from applying for assistance, stringent work requirements, sanctions, and time limits are all likely to play a part.[25]

Information on state policies is steadily accumulating; over 50 studies of people leaving welfare have been completed or are under way. From the wide menu of policies and programs now on the table, we may hope soon to determine those that seem to offer the most hope for improving the lives of poor people with children. ■

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[1]This article draws upon LaDonna Pavetti, "Welfare Policy in Transition: Redefining the Social Contract for Poor Citizen Families with Children and for Immigrants," presented at the IRP conference, Understanding Poverty in America: Progress and Problems, on May 22–24, 2000, in Madison, WI. The revised conference papers will be jointly published by Harvard University Press and the Russell Sage Foundation in a volume tentatively titled *Understanding Poverty: Progress and Prospects*.

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# Housing discrimination and residential segregation as causes of poverty

*It is well known that poor people have a hard time finding decent, affordable housing. What is not so well known is that the operation of the housing market helps to push people into poverty and to keep them there. Discrimination in housing markets, both past and present, magnifies these forces for blacks and Hispanics.*[1]

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The residential concentration of poverty is high and is increasing in the United States. In 1998, the poverty rate was 18.5 percent in central cities, but only 8.7 percent in suburbs. In 1970, 12.4 percent of poor people lived in high-poverty areas—census tracts in which at least 40 percent of residents were poor; in 1990, 17.9 percent did so.[2]

## Housing and poverty

Housing markets contribute to poverty through at least five channels: high rent burdens, housing health risks, lack of access to housing wealth, neighborhood effects, and spatial mismatch.

### High rent burdens

A household's rent burden is defined as its rent (or equivalent costs of ownership), plus the cost of utilities, as a share of income. A high rent burden limits a poor household's ability to invest in health care, education, and job-related expenses such as child care.

According to the U.S. Census Bureau's American Housing Survey, almost three-quarters of poor households pay more than 30 percent of their income in rent and utilities. Over half (almost 9 million households) spend more than 50 percent of their income for housing, compared to only 7.1 percent of nonpoor households. And affordable housing is available to fewer and fewer poor households: for every 100 households with income at or below the poverty line, there are, on average, only 36 available housing units with rents that are no more than 30 percent of income.[3]

The true magnitude of the housing problem is masked by a major flaw in the way poverty is measured. The official measure of poverty does not take into account differences in the price of housing between urban areas or between neighborhoods. And although many scholars believe that the poverty lines should reflect geographic variation in the cost of housing, the information to construct an accurate index is simply not available.[4] It seems likely that an adjustment for housing costs would significantly boost the poverty rate and the extent of concentrated poverty in large cities, where more people are spending exorbitant percentages of their income on housing.

### Poor housing quality and health risks

Poor families disproportionately live in decrepit or too-small housing: 13.7 percent, versus 5.8 percent of nonpoor families, live in houses with moderate or severe physical problems, and 7 percent, versus 2 percent of the nonpoor, in overcrowded conditions (more than one person per room).[5]

Poor families are also disproportionately exposed to health risks in their housing. Two risks in particular, the presence of lead paint and insect pests, can have severe health consequences. Lead paint, when ingested by young children, can cause severe brain damage and lowered intelligence. It was outlawed in 1978, but was widely used in housing before then and remains on the walls of many apartments that are over 20 years old. The 1997 American Housing Survey reported that poor households were twice as likely as nonpoor households to live in housing with broken plaster and peeling internal paint (5 percent versus 2.5 percent). Between 1988 and 1994, about 12 percent of poor children showed elevated blood lead levels, compared to only 2 percent of children in high-income families.[6]

Asthma is the most common chronic disease of childhood and the most common cause of hospitalization among American children. It is also two to three times more likely to occur among children in poor families than among other children and to lead to hospitalization when it does occur. One New York City study reported that the rate of hospitalization for asthma in some of the poorest neighborhoods was 228 per 10,000 children, compared to zero in the richest neighborhoods. Asthma attacks are strongly associated with some of the classic indicators of poor housing quality: the presence of cockroaches, dust and dust mites, mold and mildew. There is no direct measure of the extent to which poor households are disproportionately exposed to factors contributing to asthma, but they are twice as likely to live with signs of rats and mice in the home as are nonpoor households (13.1 percent versus 7 percent).[7]

### Lack of access to housing wealth

Home ownership is the most common method of obtaining wealth; home equity represents over one-third of total household nonpension wealth in the United States.[8] Equity in a home can buffer families against income fluctuations arising from job loss or illness; it is "insurance" against falling into poverty.

Home ownership also may have nonfinancial consequences that help protect home owners and their children from poverty. Parents with a large financial stake in their neighborhoods have a relatively strong incentive to monitor the behavior of their children.

There is evidence of such effects. Especially among low-income households, the children of home owners are significantly less likely than those of renters to drop out of school or have children of their own while still teenagers, controlling for observable characteristics. After trying to account for the fact that home owners may differ from renters in ways that we cannot observe, one study found that the probability that a high school student in a low-income family will stay in school is 19 percentage points higher if the parents own rather than rent their home.[9] Given the importance of high school graduation for later earnings, home ownership in itself may lessen the risk of poverty in the next generation.

Poor people are less likely to be home owners.[10] Low assets, low incomes, and spotty credit records pose large barriers to purchase, although people can draw upon family resources and government insured mortgages with minimal requirements for a down payment, and 38 percent of borrowers with incomes below 80 percent of their area's median income received Federal Housing Authority loans.[11]

### Neighborhood effects

Growing up in a high-poverty neighborhood appears to have deleterious effects on educational attainment and employment and to increase the risk of teenage pregnancy and criminal activity, but there is no consensus either on the size of these effects or on the mechanisms that link them to poverty. It is much clearer that *concentrated* poverty lowers school performance for all children in a classroom or school, not merely the poor children.[12] Again, the mechanisms are unclear, but it is likely that schools with high concentrations of poor children must spend more time dealing with the problems that children bring from home and will receive less reinforcement at home of lessons learned in school.

### Spatial mismatch

When low-skill jobs move to a new location, housing markets may adjust by providing nearby housing for low-income workers. But when such jobs move to the suburbs of major metropolitan areas, housing markets may not be able to adjust fully. Established suburban neighborhoods may have such high levels of amenities that low-income households cannot compete for entry into them, even if they are willing to double up. Zoning restrictions and building codes may make it impossible to build low-income or multiple-family housing—and indeed, may be used by high-income neighborhoods for precisely that purpose. The high cost of searching for jobs far from where one lives, even if information about them is available, means that poor families may be stuck in central cities with poor access to low-skill jobs.[13]

## Housing discrimination, segregation, and poverty

Since 1974, the poverty rate for blacks has been at least 17 percentage points above the rate for whites, and the poverty rate for Hispanics at least 14 percentage points above the white rate. Housing markets play a significant role in maintaining these poverty differentials.

### The legacy of past discrimination

Even if there were no more discrimination in housing and mortgage markets (and this is not the case, as I discuss later), the legacy of past discrimination would continue to affect housing market outcomes, and hence poverty. Income disparities, wealth disparities, and residential segregation all contribute to the relatively high poverty rates for minorities.

Income disparities continue to be large. In 1998, median household income was $42,439 for non-Hispanic whites, $28,330 for Hispanics, and $25,351 for blacks. Wealth disparities are even greater. Over 60 percent of black households and over half of Hispanic households, but only a quarter of white households, have zero or negative net financial assets. The median wealth of black households in 1994 was $37,457, compared to a median wealth of $177,952 for all other households. Blacks are therefore far more likely than whites to face down-payment constraints in buying a house and the effect of those constraints is greater for them than it is for whites. Over a quarter of white renter households who became owners between 1991 and 1995 received part or all of their down payment from their extended families, but almost 9 of 10 black home buyers came up with the entire down payment themselves.[14]

Residential segregation, though by some measures declining, remains high, especially for blacks.[15] Segregation interacts with the already high poverty rates of blacks and Hispanics to magnify concentrated poverty and hence to magnify the disadvantages facing *all* residents of areas of concentrated poverty. It also affects employment. Because segregation results in many locations in which most residents—and hence most customers—are white, in these areas firms have an incentive to

discriminate against black employees, particularly in service jobs.[16]

The overall effects of segregation on social and economic outcomes for minorities are large and significant. Careful estimates by David Cutler and Edward Glaeser show that in 1990, blacks between the ages of 20 and 30 who lived in a highly segregated metropolitan area were less likely to have graduated from high school or college and to have a job, and more likely to be a single parent and to have lower earnings, than those who lived in a less segregated area.[17]

**The role of current discrimination**

The compelling evidence that discrimination persists in housing markets and in the practices of lenders is mostly derived from fair housing audits. The audit is a survey technique in which teams of auditors equally qualified, but of different race or ethnicity, respond to advertisements for houses or apartments. A national audit study conducted in 1989, the Housing Discrimination Study, found that discrimination against blacks and, to a lesser degree, Hispanics in the home purchase and rental markets was widespread, statistically significant, and took many different forms.[18]

Blacks were more likely to be excluded from available units or to be told about fewer units than actually were available. Black home buyers were told about 25 percent fewer houses than their matched white team members. Blacks were less likely to receive special incentives to rent or to be offered help in finding financing to purchase, and were more likely to be steered toward certain types of neighborhoods and high-interest loans. There is no evidence that the incidence of this kind of discrimination has declined over the last 20 years. Fair housing audits conducted in 1977 and in the mid-1990s by different groups came up with comparable results.

Potential home buyers interact not only with real estate agents but also with lenders and home insurance companies. Patterns of discrimination have been found for lenders, though the evidence for the home insurance market is less clear. A study based on 1991 data found that black and Hispanic customers were 82 percent more likely to be turned down for loans than were white customers, even after other factors such as credit qualifications and the type of loan were taken into account.[19]

The net impact of discrimination in the housing market is that black and Hispanic households cannot expect to gain as much as white families do from housing search, are less likely to move in response to any given change in housing, and are more likely to encounter discouragement if they do try to move. When they do move, they can expect to find houses that are a poorer match to their preferences. They must pay higher search costs, accept lower-quality housing, or live in lower-quality neighborhoods than comparable white households—all outcomes directly tied to poverty.[20]

**Calculating the effect of past and present discrimination**

The combined effects of past and present discrimination are visible in four of the five channels through which housing affects poverty. Only rent burdens appear to be exempt from these effects—there is no evidence that blacks pay higher rents or purchase prices than whites at any income level for equivalent housing in equivalent neighborhoods.[21] The situation might change if the federal poverty measure was revised to take into account variation in housing costs, because minorities are more likely to live in central cities, where the cost of housing is relatively high.

By restricting housing choices, past and current discrimination magnify the concentration of poor black and Hispanics in low-quality housing, which is the second channel that links housing and poverty. Moderate or severe physical problems with housing are roughly twice as common among poor blacks and Hispanics as among poor nonblacks and nonpoor Hispanics—about 20 percent report such problems. About the same percentage of poor blacks live in houses with chipped plaster or peeling paint. Thus segregation and discrimination concentrate low-income blacks and Hispanics in poor-quality housing that presents greater threats to health.

The third channel is home ownership. Income and wealth differentials combine with segregation and discrimination to produce large, long-standing intergroup differences in home ownership (see Figure 1). These differentials are higher now than they were in the early 1980s. Even poor nonblacks have a greater rate of home ownership than blacks in general.[22] Poor blacks and Hispanics thus have the most limited access of all groups to the "insurance" against poverty that home ownership represents.

The fourth channel is the neighborhood effect. In the 1990 census, poor blacks were more than twice as likely as other poor groups to live in neighborhoods of concentrated poverty, and that share appeared to be increasing. Poor blacks and Hispanics are also more likely to live in neighborhoods where other indicators of distress are relatively high. For example, 12.9 percent of poor blacks, but only 5.8 percent of poor nonblacks, live in neighborhoods where crime is so "bothersome" that they would like to move.[23]

The effect of segregation and discrimination on the school environment of black and Hispanic children is equally dramatic. In large cities, the vast majority of black and Hispanic children, over 90 percent, go to predominantly minority schools. School segregation along ethnic lines is driven largely by segregation *across*, not within, school districts—the historical disparities and

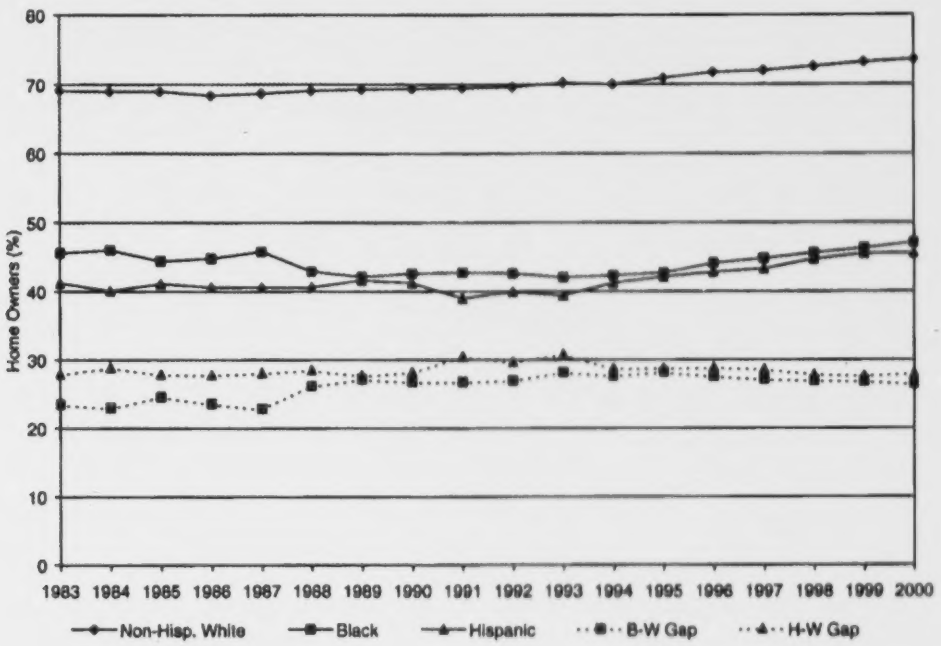


**Figure 1. Home ownership rates, 1983–2000.**

**Source:** U.S. Census Bureau, *Housing Vacancies and Homeownership: Annual Statistics: 1999*, Table 20; Council of Economic Advisers, *Changing America: Indicators of Social and Economic Well-Being by Race and Hispanic Origin* (Washington, DC: U.S. GPO, 1998).

current discrimination in housing markets that make it difficult for black and Hispanic households to move into suburban neighborhoods continue to play a role. Furthermore, over half of minority schools have poverty rates above 50 percent, whereas 60 percent of largely white schools have poverty rates below 10 percent.[24] The result, as earlier noted, is lower performance among all children in the poorer schools—hence disproportionately among black and Hispanic children. This in turn translates into lower earnings capacity.

Discrimination and segregation also play a role in spatial mismatch, the fifth channel. Segregation, the suburban shift in employment, and continuing housing discrimination together result in higher unemployment and lower wages for blacks than for whites. Compelling evidence arises from the employment situation of teenagers, who do not make their own housing decisions and for whom the picture is clearer than for adults. Studies (mostly with data from the 1980s) found that average access to jobs was then much higher for white than for minority youth, and differences in access explained about a third of the employment gap between white and minority teenagers. More recent evidence from the Gautreaux Program, which helps public housing residents in Chicago find housing throughout the metropolitan area, also suggests that employment outcomes for blacks improve when the barriers to suburban residence are broken. Those participants who moved to suburban areas were more likely to have jobs than those who stayed in the central city.[25]

Overall, the disparities in poverty between white and minority households have many different causes, but housing markets clearly have important effects, through several different channels. In a systematic overview that explores the simultaneous determinants of residential segregation, class and school segregation, school dropout rates, and poverty among blacks, George Galster estimated that the black poverty rate would fall by 14 percent if all current housing discrimination were eliminated.[26] Thus housing policy should be an important element of any antipoverty program, and any policy to eliminate the differences in poverty among ethnic and racial groups should include policies to promote fair housing and fair lending, to support community activities that maintain neighborhood integration, to provide mobility-enhancing rental housing subsidies, and to promote home ownership among low-income families through tax subsidies and lending. ■

[1]This article draws upon John Yinger, "Housing Discrimination and Residential Segregation as Causes of Poverty," presented at the IRP conference, Understanding Poverty in America: Progress and Problems, on May 22–24, 2000, in Madison, WI. The revised conference papers will be jointly published by Harvard University Press and the Russell Sage Foundation in a volume tentatively titled *Understanding Poverty: Progress and Prospects*.

[2]U.S. Census Bureau, *Poverty, 1998*, < http://www.census.gov/hhes/poverty/ poverty98/pv98est1.html >; P. Jargowsky, *Poverty and Place: Ghettos, Barrios, and the American City* (New York: Russell Sage Foundation, 1997).

[3]U.S. Census Bureau, *American Housing Survey for the United States: 1997*, National Tables, Washington, DC, September, 2000 < http://www.census.gov/hhes/www/housing/ahs/ahs97/ahs97.html >; Office of Policy Development and Research, U.S. Department of Housing and Urban Development, *Rental Housing Assistance—The Worsening Crisis: A Report to Congress on Worst Case Housing Needs*, Washington, DC, 2000. HUD defines poor families as those with incomes below 30 percent of the area median—roughly the poverty line.

[4]"Estimating the Value and the Cost of Housing," *Focus* 19, no. 2 (Spring 1998): 31–35.

[5]U.S. Census Bureau, *American Housing Survey: 1997*, National Tables, tables 2.7, 2.3.

[6]U.S. Census Bureau, *American Housing Survey: 1997*, National Tables, table 2.7; E. Pamuk, D. Makuc, K. Heck, C. Reuben, and K. Lochner, *Socioeconomic Status and Health Chartbook: Health, United States, 1998* (Hyattsville, MD: National Center for Health Statistics, 1998).

[7]U.S. Census Bureau, *American Housing Survey: 1997*, National Tables, table 2.7; Pamuk and colleagues, *Socioeconomic Status and Health Chartbook*; H. Noble, "Study Shows Asthma Risk for Children in Poor Areas," *New York Times*, July 27, 1999.

[8]E. Hurst, M. Luoh, and F. Stafford, "The Wealth Dynamics of American Families, 1984–94," *Brookings Papers on Economic Activity* 1 (1998): 267–338.

[9]R. Green and M. White, "Measuring the Benefits of Homeowning: Effects on Children," *Journal of Urban Economics* 41 (May 1997): 441–61.

[10]See, e.g., H. Savage, *Who Could Afford to Buy a House in 1995?*, Current Housing Report H121/99-1, U. S. Census Bureau, Washington, DC; U.S. Census Bureau, *American Housing Survey: 1997*, National Tables, tables 2-13, 5-12, 6-12.

[11]S. Gabriel, "The Role of FHA in the Provision of Credit to Minorities," in *Mortgage Lending, Racial Discrimination, and Federal Policy*, ed. J. Goering and R. Wienk (Washington, DC: Urban Institute Press, 1996), pp. 183–250.

[12]On neighborhood effects, see D. Ginther, R. Haveman, and B. Wolfe, "Neighborhood Attributes as Determinants of Children's Outcomes: How Robust Are the Relationships?" *Journal of Human Resources* 35, no. 4 (Fall 2000): 603–42; R. Mincy, "The Underclass: Concept, Controversy, and Evidence," in *Confronting Poverty*, ed. S. Danziger and D. Weinberg (Cambridge, MA: Harvard University Press, 1994), pp. 109–46; X. Briggs, "Moving Up versus Moving Out: Neighborhood Effects in Housing Mobility Programs," *Housing Policy Debate* 8, no.1 (1997): 195–234. On the effects of poverty on school performance overall, see W. Duncombe and J. Yinger, "School Finance Reform: Aid Formulas and Equity Objectives," *National Tax Journal* (June 1998): 239–62; R. Ferguson, "Paying for Public Education: New Evidence on How and Why Money Matters," *Harvard Journal on Legislation* 28 (1991): 465–98.

[13]S. Ross and J. Yinger, "Does Discrimination in Mortgage Lending Exist: The Boston Fed Study and Its Critics," in *Mortgage Lending Discrimination: A Review of Existing Evidence*, ed. M. Turner and F. Skidmore (Washington, DC: Urban Institute, 1999), pp. 43–84; J. Kasarda and K-f. Ting, "Joblessness and Poverty in America's Central Cities: Causes and Policy Prescriptions," *Housing Policy Debate* 7, no. 2 (1996): 387–419.

[14]U.S. Census Bureau, *Money Income in the United States: 1998*, Report P60-206, Washington, DC: GPO, September 1999 < http://www.census.gov/hhes/www/income98.html >; Hurst, Luoh, and Stafford, "Wealth Dynamics"; J. Gyourko, P. Linneman, and S. Wachter, "Analyzing the Relation among Race, Wealth, and Homeownership in America," Wharton Real Estate Center Working Paper, University of Pennsylvania, Philadelphia, PA, 1997.

[15]D. Massey and N. Denton, *American Apartheid: Segregation and the Making of the Underclass* (Cambridge, MA: Harvard University Press,1993); N. Denton, "Are African Americans Still Hypersegregated?" in *Residential Apartheid: The American Legacy*, ed. R. Bullard, J. Grigsby III, and C. Lee (Los Angeles, CAAS Publications, 1994), pp. 82–94; D. Cutler, E. Glaeser, and J. Vigdor, "The Rise and Decline of the American Ghetto," *Journal of Political Economy* 107 (June 1999): 455–506.

[16]H. Holzer and K. Ihlanfeldt, "Customer Discrimination and Employment Outcomes for Minority Workers," *Quarterly Journal of Economics* 113, no. 3 (August 1998): 835–67.

[17]D. Cutler and E. Glaeser, "Are Ghettos Good or Bad?" *Quarterly Journal of Economics* 112, no. 3 (August 1997): 827–72.

[18]J. Yinger, *Closed Doors, Opportunities Lost: The Continuing Costs of Housing Discrimination* (New York: Russell Sage Foundation, 1995).

[19]The original study, the Boston Fed Study, has been criticized, but independent investigations of the same data have confirmed its findings. See A. Munnell, G. Tootell, L. Browne, and J. McEneaney, "Mortgage Lending in Boston: Interpreting HMDA Data," *American Economic Review* 86, no. 1 (March 1996): 25–53; Ross and Yinger, "Does Discrimination in Mortgage Lending Exist?"

[20]J. Yinger, "Cash in Your Face: The Cost of Racial and Ethnic Discrimination in Housing," *Journal of Urban Economics* 42 (November 1997): 339–65; In the study I use housing demand concepts to estimate the value households place on the housing opportunities they lose because of discrimination. I estimate that the average cost of current discrimination is roughly $4,000 every time some change in circumstances gives a black or Hispanic family an incentive to search for a new home. See also Charles and Hurst, "Transition to Home Ownership."

[21]See, for instance, K. Kiel and J. Zabel, "House Price Differentials in U.S. Cities: Household and Neighborhood Racial Effects," *Journal of Housing Economics* 5 (June 1996): 143–65.

[22]U.S. Census Bureau, *American Housing Survey:1997*, National Tables, tables 2-13, 5-12, 6-12.

[23]J. Kasarda, "Inner-City Poverty and Neighborhood Distress: 1970 to 1990," *Housing Policy Debate* 4, no. 3 (1993): 253–302; U.S. Census Bureau, *American Housing Survey: 1997*, National Tables, tables 2-13, 5-12, 6-12.

[24]Majority white schools are those in which fewer than 10 percent of students are black or Hispanic. See C. Clotfelter, "Public School Segregation," *Land Economics* 75 (November 1999): 487–504.

[25]K. Ihlanfeldt and D. Sjoquist, "Job Accessibility and Racial Differences in Youth Unemployment Rates," *American Economic Review* 80 (March 1990): 267–76, and "The Effect of Job Access on Black and White Youth Employment: A Cross-Sectional Analysis," *Urban Studies* 28, no. 2 (1991): 255–65; K. Ihlanfeldt, *Job Accessibility and the Employment and School Enrollment of Teenagers* (Kalamazoo, MI: W. E. Upjohn Institute for Employment Research, 1992); S. Popkin, J. Rosenbaum, and P. Meaden, "Labor Market Experiences of Low-Income Black Women in Middle-Class Suburbs: Evidence from a Survey of Gautreaux Program Participants," *Journal of Policy Analysis and Management* 12 (Summer 1993): 556–74. Evidence on the employment effects of the Moving to Opportunity program, implemented in 1994, is not yet available; see M. Turner, "Moving Out of Poverty: Expanding Mobility and Choice Through Tenant-Based Housing Assistance," *Housing Policy Debate* 9, no. 2 (1998): 373–94.

[26]G. Galster, "Housing Discrimination and Urban Poverty of African-Americans," *Journal of Housing Research* 2, no. 2 (1991): 87–122.

# The memberships theory of poverty: The role of group affiliations in determining socioeconomic outcomes

*The body of statistical evidence, when combined with ethnographic studies and social psychology experiments, strongly supports the view that group memberships play an important role in the determination of individual socioeconomic outcomes, and hence are a significant causal factor in the generation and persistence of poverty.*[1]

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Although social scientists have long been aware of the importance of group influences as a cause of socioeconomic deprivation, economic research has traditionally paid more attention to individual and family-based explanations. But now economists too have begun to shift toward group-based explanations of poverty, impelled by a growing sense that individual-level explanations are inadequate for understanding many of the differences one observes in socioeconomic outcomes, especially when one considers group differences in these outcomes. In this article I describe some of the basic ideas and implications of a group-based theory of poverty that combines economic and sociological approaches. I call it the "memberships theory of poverty."

The basic idea of the memberships theory of poverty is straightforward. It postulates that our socioeconomic outcomes depend significantly upon the composition of the groups of which we are members over the course of our lives.[2] Such groups may, in principle, be defined along many dimensions, including ethnicity, the neighborhoods in which we live, our schools, and our places of work.

Group memberships can shape individual outcomes through different paths. These include, though they are clearly not limited to:

1. Peer group effects: the choices of some members of a group affect the preferences of others.

2. Role model effects: the characteristics of older members of a group influence the preferences of others.

3. Social learning: information about the costs and benefits of many behaviors comes from observing others. To the extent that one is in a group which produces certain types of information, such as knowledge of criminal opportunities, or fails to produce other types, such as knowledge of the labor market advantages of college, groups produce social learning.

4. Social complementarities: the choices of some members of a group make the choices of other members more or less productive. For example, a study group in which hard work by other members makes the efforts of each member more productive can be said to exhibit social complementarities.

Consider, as an example, the role of neighborhoods in the transmission of poverty and inequality across generations. First, there is the role of local public finance. Approximately 45 percent of all public revenues spent on primary and secondary education are generated through local sources, with obvious implications for disparities in school quality.[3] Second are peer group influences. If the educational effort and aspirations of one child are influenced by the efforts and aspirations of his friends and peers, then neighborhoods can create powerful forces promoting or retarding social mobility. Third is the influence of adult role models. Children in poor communities who observe that the rewards for education are low among the adults they know may themselves make lower educational choices, deciding, for example, not to complete high school or attend college. Fourth, social networks matter for employment, and poor communities appear less able to generate the labor market information necessary for rapid and successful matching of community members to jobs. And last, neighborhoods can represent the carriers of people's aspirations toward economic success and family responsibility, with the attendant implications for the perpetuation of poverty.

Some group memberships are matters of choice (subject to constraints), for example, the location of a family in a particular neighborhood. Other group memberships, such as ethnicity or gender, are fixed. When the memberships are themselves choices, a theory of inequality, to be complete, needs to account for those choices as well as for their consequences. Clearly, too, the effects of these group memberships are not independent of each other. Suppose that an individual is a member of an ethnic group that suffers from discrimination, grows up in a poor community whose role models and peer groups militate against economic success, and in turn is placed in poor schools and jobs. It is the sequence of memberships, with their attendant social interactions, rather than one membership in isolation, that explains why the individual is poor.

The memberships theory is substantively different from standard economic models of poverty in two respects. First, it shifts the emphasis in a causal explanation of poverty from individual characteristics that *explain* differences in behavior to group memberships and influences that *constrain* individual outcomes. Second, it

highlights the role of externalities in producing poverty. We can characterize role models and peer influences as externalities because in each case the choices and characteristics of some individuals directly affect others without any markets to regulate these effects.

## Empirical evidence for the memberships theory

At this point, the memberships theory of poverty encompasses a body of disparate theoretical and empirical studies, all of which point toward the same idea: that the groups which define one's location in socioeconomic space play a crucial determining role in one's life prospects. Although there are many plausible theoretical arguments and empirical demonstrations that some sort of group influences matter, we are far from identifying many of the specific causal mechanisms that link individual outcomes to groups. There is nevertheless a body of compelling evidence that group memberships play an important role in the generation and persistence of poverty.

The evidence for the memberships theory of poverty falls into four main categories: ethnographic studies, regression analyses based on observational data, evaluations of the effects of government interventions in membership on individual outcomes (quasi-experiments), and controlled experiments in social psychology. Because there has yet to be any effort to estimate structural memberships-based models, this evidence is to some extent indirect.

### Ethnographic evidence

Ethnographic studies of poverty provide a rich body of evidence on the ways in which community deprivation influences individual behavior. They focus both on the emergence of social norms within inner cities that perpetuate deprivation across generations and on the strong, positive social networks that may militate against the effects of deprivation.[4] They make apparent the diversity of positive and negative interactions that coexist in poor communities, and although they do not represent the sorts of quantitative evidence required by the new theoretical models of social interactions, they are essential for evaluating the substantive significance of these models.[5]

### Regression evidence

There is a vast literature that seeks to document the influence of group memberships on socioeconomic outcomes; much of it focuses on the role of residential neighborhoods in children's outcomes.[6] Although these studies typically conclude that some combination of contextual (i.e., neighborhood) variables do have a statistically significant influence, there seems to be no consensus about which of these contextual effects is the most robust. And a recent careful analysis of neighborhood effects on teenagers' outcomes found that the use of richer individual controls systematically reduces the magnitude of the estimated neighborhood influences.[7] Methodological difficulties and confusions, some of them explored in recent econometric work, also constrain the regression-based analysis of social interactions.[8]

### Quasi-experiments

These are, in effect, a sort of natural experiment in which researchers seek out cases of individuals who are assigned to new groups (typically, new neighborhoods) as a result of some policy decision or other exogenous event. The most prominent example is the Gautreaux program, whereby housing subsidies and placement services were provided to residents of inner-city Chicago public housing, enabling them to move either to another part of Chicago or to a suburb. Studies have found that children who moved to the suburbs fared better in many ways, including high school completion and employment, than did their counterparts who moved within Chicago.[9] A second such quasi-experiment, still continuing, is the Moving to Opportunity program.[10]

For all the interest of their findings, both demonstrations suffer from a range of problems that make interpreting the data difficult. For example, the programs are far from a pure random-choice experiment; in both cases, those who moved were to some extent self-selected and not necessarily representative of the poor communities from which they moved. And the Moving to Opportunity program is recent enough to raise concern that its results may not be permanent.

### Controlled experiments

The most persuasive evidence of group effects can be found in the social psychology literature.[11] One classic example is the work on obedience to authority conducted by Stanley Milgram. In Milgram's experiments, subjects were instructed to administer a sequence of increasingly powerful electric shocks to a "patient" who began to protest that his life was in danger. Sixty percent of subjects nevertheless continued to administer shocks if told to do so by an "authority"—a man in a white coat. But if a second individual was present and refused to do so, the refusal rate by subjects increased dramatically.[12] Such evidence, though not directly linked to poverty, clearly suggests why one might observe variations in the rates of social pathologies among communities: such pathologies are presumably sanctioned by powerful social norms that operate rather like the sanction provided by an authority figure.

## The implications for policy

A focus on group-level influences naturally leads one to ask whether the government can and should intervene in order to alter the ways in which groups are formed in the economy and in society as a whole. I term such policies, which redistribute group memberships rather than income, "associational redistribution."[13]

The most obvious and currently controversial example of government policies of this type is affirmative action—an intervention by government in the allocation of individuals into schools and firms. Contemporary magnet and charter school programs and the location of public housing projects, which can have a major impact on patterns of residential segregation, also come into this category. Each of these very disparate programs is designed to alter social interactions among individuals by altering the composition of socioeconomic groups.

At first glance, associational redistribution might appear to be a new and unusually invasive form of government intervention. What justifies these policies is their goal: the achievement of equality of opportunity. This justification most obviously applies if the cost of achieving such equality in any other way is prohibitively expensive. Suppose that we wish to ensure that poor black and affluent white children have equal opportunities for labor market success as adults. Possible ways to eliminate the dependence of their respective outcomes on family and community background would include both affirmative action policies and increased investment in public schools. If one believes that improvements in school investments have only modest effects on labor market outcomes, then affirmative action will be relatively attractive.[14]

Furthermore, such policies can only be justified if the political objective of equality of opportunity outweighs any possible harm created by the policies required for its achievement. It is, for example, sometimes argued that antidiscrimination and affirmative action policies violate rights to free private association.[15] In the case of neighborhoods, there would seem to be a strong argument for respecting people's rights to engage in private association. But there is the question of whose rights are being protected. Parental preferences are not necessarily those that best serve the interests of the children. To the extent that the parents' preference for racial exclusivity is the source of segregated neighborhoods, it is reasonable for a policymaker to reject those preferences, both because they impose segregation on the parents' own children, who cannot meaningfully share those preferences, and because they may harm other children through limiting their choice of neighborhoods.

Even if associational redistribution policies do generate conflicts with individual rights, the memberships theory is still germane to public policy discussion and still speaks to the desirability of such policies. There are, unquestionably, complex ethical judgments to be made about the trade-offs between equality of opportunity and other social goods that may be diminished by associational redistribution. But such judgments are the essence of politics, and the memberships theory is useful in clarifying the nature of the trade-offs involved. ■

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[1]This article draws upon Steven N. Durlauf, "The Memberships Theory of Poverty: The Role of Group Affiliations in Determining Socioeconomic Outcomes," presented at the IRP conference, Understanding Poverty in America: Progress and Problems, on May 22–24, 2000, in Madison, WI. The revised conference papers will be jointly published by Harvard University Press and the Russell Sage Foundation in a volume tentatively titled *Understanding Poverty: Progress and Prospects*.

[2]It may be helpful here to clarify the relationship between the memberships theory and another concept that has drawn much attention, social capital. In the context of poverty, many have claimed that the problems of the inner city are at least partially due to an absence of social capital of various types. Elsewhere, I have discussed some of the ambiguities of definition that inhere in these analyses; see S. Durlauf, "The Case 'against' Social Capital," *Focus* 20, no. 3 (Fall 1999): 1–5. If we accept the definition of social capital as "the influence that the characteristics and behaviors of one's reference group has on one's assessments of alternative courses of behavior," I would argue that the body of ideas associated with the concept of social capital can be subsumed within a general memberships theory of social inequality. To the extent that social capital is a well-defined resource which members of a particular social network can access, it is simply a version of a group influence.

[3]J. Kozol, *Savage Inequalities* (New York: Crown, 1991).

[4]Examples include E. Liebow, *Tally's Corner* (Boston: Little, Brown, 1967), C. Stack, *All Our Kin* (New York: Basic Books,1974), M. Duneier, *Slim's Table* (Chicago: University of Chicago Press, 1992), E. Anderson, *Code of the Street* (New York: W. W. Norton, 1999).

[5]For social interaction models see W. Brock and S. Durlauf, "Interactions-Based Models," in *Handbook of Econometrics*, ed. J. Heckman and E. Leamer (Amsterdam: North-Holland, forthcoming).

[6]For a review of earlier studies, see C. Jencks and S. Mayer, "The Social Consequences of Growing Up in a Poor Neighborhood," in *Inner-City Poverty in the United States*, ed. L. Lynn and M. McGreary (Washington, DC: National Academy Press, 1990).

[7]D. Ginther, R. Haveman, and B. Wolfe, "Neighborhood Attributes as Determinants of Children's Outcomes: How Robust Are the Relationships?" *Journal of Human Resources* 35, no. 4 (Fall 2000): 603–62.

[8]C. Manski, "Identification of Endogenous Social Effects: The Reflection Problem," *Review of Economic Studies* 60 (1993): 531–42; Brock and Durlauf, "Interactions-Based Models."

[9]See, e.g., J. Rosenbaum, "Changing the Geography of Opportunity by Expanding Residential Choice: Lessons from the Gautreaux Program," *Housing Policy Debate* 6 (1995): 231–69.

[10]H. Ladd and J. Ludwig, "The Effects of MTO on Educational Opportunities in Baltimore: Early Evidence," Working Paper 25, Joint Center for Poverty Research, Northwestern University and University of Chicago, 1998.

[11]See D. Aaronson, "Using Sibling Data to Estimate the Impact of Neighborhoods on Children's Educational Outcomes," *Journal of Human Resources* 33 (1998): 915–46.

[12]S. Milgram, *Obedience to Authority* (New York: Harper and Row, 1974).

[13]S. Durlauf, "Associational Redistribution: A Defense," *Politics and Society* 24 (1996): 391–410.

[14]J. Heckman, A. Layne-Farrar, and P. Todd, "Does Measured School Quality Really Matter? An Examination of the Earnings-Quality Relationship," in *Does Money Matter?*, ed. G. Burtless (Washington, DC: Brookings Institution Press, 1996).

[15]See G. Loury, "Why Should We Care about Group Inequality?" *Social Philosophy and Policy* 5 (1987): 249–71 for a discussion.

## What's next? Some reflections on the poverty conference

# Poverty and race

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Of necessity, I bring an outsider's perspective to poverty research.[1] But although it is not a field to which I have contributed, as a student of inequality in American society I have been an avid consumer of this work for some time now. One thing is immediately apparent. The field has progressed impressively over the last 25 years—with better data, more sophisticated analytic methods, and a growing number of creative scholars working on the problems. We have witnessed the professionalization and institutionalization of research in this field in the years since the War on Poverty. On balance, this is surely a good thing. Yet my sense of the matter is that it is also a mixed blessing. I will say more on this point in due course.

### Conceptual issues

Although some effort has obviously been taken to gather an interdisciplinary group of scholars, the balance is still heavily weighted in favor of econometric analysis. There is nothing wrong with rigorous statistical inference from quantitative data—this activity is indispensable. But I'm moved to ask: Where are the ethnographers, developmental psychologists, social philosophers, and political analysts? These are vitally important areas of scholarship bearing directly on the issues under discussion. There are some puzzles raised by the poverty data that can, in my opinion, only be illuminated with cross-disciplinary collaboration. I know that effective scholarly exchanges across disciplinary boundaries are not easy. But a difficult thing becomes impossible when it is not tried.

I stress this because, as I see it, we will need to look beyond the conceptual resources of economics and quantitative sociology if we are to make progress on some of the crucial outstanding issues. Why, for example, does couching some interventions explicitly in terms of religious faith seem to matter for their success? How does a group of people (like welfare recipients living in cities and belonging to racial minority groups) come to be stigmatized, and what effect does the prospect of such stigmatization have on their behavior and their well-being? Where do ideas about identity (who am I?) and about social identification (who is essentially like me?) come from, and what role is played by people's ideas in this regard to produce or to avert bad social outcomes? What can be said about the shaping of individual preferences—regarding work, sexuality and family formation, academic achievement, associational behaviors, and the like?

Social scientists have not made much progress toward answering such questions, but what progress there has been is the result mainly of qualitative investigations in the field. How can the insights from such qualitative inquiry be integrated with the knowledge produced from careful statistical analyses of nationally representative data sets? I urge that some consideration be given to this question at the next ingathering of poverty researchers. The sociologist George Farkas provides an apt illustration of the point I'm trying to make here.[2] Paraphrasing, Farkas argues as follows: Here is a young man to whom one says, "Why don't you marry the girl you got pregnant? Why don't you work in a fast-food restaurant instead of standing on the street corner hustling? Why don't you go to community college and learn how to run one of the machines in the hospital?" And his answer is not, "I have done my sums and the course you suggest has a negative net present value." Rather, his answer is, "Who, me?" He cannot see himself thus. Now, I ask, how are we to understand the people who answer us in this way? And, how can we achieve a satisfactory grasp of the nature of poverty in American society in the absence of such an understanding?

Another area where my theorist's sensibility cries out for greater clarification involves the construction of the very concept of "poverty" itself. A clear distinction between "poverty," "disadvantage," "inequality," and "social exclusion" is often not drawn. Measurement of poverty involves imposing a binary categorization (poor/not poor) upon a continuous, multidimensional flux of social experience. There are two parts to this problem: to define a measure of well-being, and to define what about the distribution of well-being is normatively salient. Despite the disappointing (to me, anyway) results of efforts by axiomatic social choice theorists to deduce poverty measures from more primitive postulates about social values, I am convinced that this remains an area much in need of theoretical work. More generally, I think that there are both normative and positive issues raised by the problem of poverty (that is, issues of *social values* and of *individual behavior*). I judge that the former warrant more attention.

### Race and poverty research

As the director of an institute dedicated to the study of "race and social division" I would be remiss if I did not comment on this aspect of the poverty problem. Taking the papers presented at this conference as a whole, in table after table and regression after regression one encounters the disturbing evidence that racial differences in the experience of poverty are large, intractable, and poorly understood. Why are the extent, severity, and durability of impoverishment



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so much greater among blacks than whites, Hispanics than Asians? It is a failing of the poverty research tribe that so little can be said with confidence about this. I offer two thoughts on this problem.

The first deals with the concept of racial discrimination. In the early days, discussions of race and poverty in the United States often entailed some consideration of discrimination. As an historical practice, this is appropriate and understandable. My current view, however, is that a focus on the discriminatory treatment of individuals is no longer adequate. To illustrate my position, consider an elemental distinction between two kinds of behavior—what I'll call discrimination in *contract* and discrimination in *contact*.

By "discrimination in contract" I mean to invoke the unequal treatment of otherwise like persons based on race in the execution of formal transactions: the buying and selling of goods and services, or the interactions with organized bureaucracies, for instance. By contrast, "discrimination in contact" refers to the unequal treatment of persons on the basis of race in the associations and relationships that are formed among individuals in social life, including the choice of social intimates, neighbors, friends, heroes, and villains. It involves discrimination in the informal, private spheres of life.

An important difference is to be noted between these types of discrimination. Discrimination in contract occurs in settings over which a liberal state could, if it were to choose to do so, exercise review and restraint in pursuit of social justice. Precisely this has happened in the United States in the period since 1965, with significant if not complete success. Yet in any liberal political order some forms of discrimination in contact (marriage, residence, friendship networks, for instance) must remain a prerogative for autonomous individuals. Preserving the freedom of persons to practice this discrimination is essential to the maintenance of liberty, because the social exchanges from which such discrimination arises are so profoundly intimate and cut so closely to the core of our being.

However, and this is my key point, mechanisms of status transmission and social mobility depend critically upon the nature of social interactions in both spheres—that is, on the patterns of contact as well as on the rules of contract. The provision of resources fundamental to the development of human beings is mediated by formal and informal, by contractual and noncontractual social relations. I have in mind the roles played in the shaping of persons by the family, the social network, and (using the word advisedly) the "community." I am thinking about infant and early childhood development, and about adolescent peer group influences. I mean to provoke some reflection on how people come to hold the ideas they, in fact, do hold concerning who they are (their identities), which other persons are essentially like them (their social identifications), and what goals in life are worth striving toward (their ideals).

My fundamental empirical claim is this: In U.S. society, where of historical necessity patterns of social intercourse are structured by perceptions of race, it is inevitable that developmental processes operating at the individual level will also be conditioned by race. From this it follows that, in a racially divided society like the United States, fighting discrimination in the sphere of contract while leaving it untouched in the sphere of contact will generally be insufficient to produce basic equality of opportunity for all individuals. And yet a commitment to political liberalism would seem to require precisely this. Hence the dilemma, one that I believe is powerfully relevant to the study of racial disparities in the experience of poverty.

My second point has to do with the role of cultural explanations in accounting for racial disparities. I am deeply suspicious of the easy evocation of cultural arguments in this area, because these arguments typically neglect the crucial point that group identifications and racial self-understandings are endogenous. How are we to account for the ways in which, within a system of mutually susceptible individuals, each seeking approval or standing with the others, a normative type emerges that becomes the model for what "authentic" behavior represents within the (racial) group?

The "peer effect" models typically posit a gravity-type idea: the norm (for a race-, class-, or neighborhood-based group) is the mean or median behavior found within the group, toward which individuals are pulled, to some extent contrary to their individual inclinations. But why? These are human beings, not celestial bodies. Why should criminal behavior, early unwed pregnancy, or hours spent studying be driven by the mean or median action within a peer group, and not by the 90th or 10th percentile action? In other words, how does the group construct its notion of what constitutes a norm?

I think this centrist-focused approach may be quite far off, and that examples can be found where idealization of heroic, extreme behavior is more influential than "regression to mean" types of peer influence. For this reason, I am interested in how notions of stigma, shame, honor, and the rest arise as outcomes of intersubjective encounters amongst a group of people seeking to discover for themselves "who they really are," as individuals and collectively. And I am particularly concerned about such matters when the groups involved are defined in part on the basis of "race." Anyone who evokes notions like "black culture," "ghetto culture," or "underclass culture" in an effort to explain racial differences in poverty experience ought to be required to address such matters as well. ■

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[1]These remarks form part of rapporteur's comments by Professor Loury, presented at the IRP conference, Understanding Poverty in America: Progress and Problems, on May 22–24, 2000, in Madison, WI. The revised conference papers will be jointly published by Harvard University Press and the Russell Sage Foundation in a volume tentatively titled *Understanding Poverty: Progress and Prospects*.

[2]*Human Capital or Cultural Capital? Ethnicity and Poverty Groups in an Urban School District* (New York: A. de Gruyter, 1996).

## What's next? Some reflections on the poverty conference

# Poverty and children

Jane Waldfogel, Associate Professor of Social Work, Columbia University

Papers presented at the conference raise a number of issues that should receive more attention in future research on poverty and poverty policies.[1] Here I consider two that have particular salience for the study of child poverty: interactions between poverty and other forms of disadvantage, and some pathways by which poverty might affect child outcomes.

### Interactions between poverty and other forms of disadvantage

Children who grow up in poverty fare worse than other children on a number of outcomes, for example, educational attainment and health. So also do children raised in mother-only families.[2] But are there interactions between poverty and other forms of disadvantage? Can we conjecture that children in single-parent families are especially vulnerable to the adverse effects of poverty, whereas children in two-parent families are buffered from those effects?

Drawing on data from the National Survey of Families and Households, Thomas Hanson and his colleagues found that the adverse effects of low income on child outcomes did differ according to family structure. The effects of poverty were larger for children in single-parent families on five outcome measures (school performance, grade point average, and three measures of behavioral problems), but were larger for children in two-parent families on three other measures of child well-being (sociability, initiative, and quality of life).[3]

A different pattern of interactions appears in the children of the National Longitudinal Survey of Youth. When I examined cognitive outcomes for children up to the age of 8, I found that the significant negative effect of growing up in poverty was no greater for children in single-parent families. There were, as expected, adverse effects of poverty on *behavioral problems* of young children, but these effects were smaller for children in single-mother families than two-parent families.

At this point, then, the evidence on our conjecture is mixed. Children in single-parent families may be more vulnerable on some outcomes, whereas children from two-parent families may be more vulnerable on others. Or the correlates of poverty may tend to be different in single-parent versus two-parent families. Poverty in two-parent families, for instance, may be more strongly associated with unemployment, whereas poverty in single-parent families may be more strongly associated with early childbearing. These differences, rather than differences in family structure per se, may account for the differential effects on outcomes.

Future research on the interaction of poverty with other types of disadvantage or risk factors might address whether the effects of growing up in poverty are different for:

- children living in poor neighborhoods, segregated neighborhoods, or neighborhoods low in social cohesion;[4]
- children from immigrant families, or children who do not speak English as their first language;
- children who attend poor-quality schools or who have learning disabilities;
- children who have chronic health conditions or limitations;
- children whose mothers work early in their childhood, or who experience poor-quality child care or multiple child care transitions.

If the effects of growing up in poverty are more pronounced for children experiencing other types of disadvantage or risk factors, these interactions have implications for our understanding of those effects and also for our thinking about remedial policies. If, for instance, the effects of growing up in poverty are more severe for children from particular groups, estimating these effects across all groups will lead us to underestimate the impacts for the more vulnerable children. Moreover, understanding which children are more vulnerable can help us to target policy interventions to them and to design interventions that more effectively address that vulnerability.

### How poverty affects child outcomes

The question of how and why poverty matters for child outcomes is a hotly contested topic.[5] Some insights that come from the literature on poverty and child maltreatment are relevant.

Research has established that poor children, and children who live in poor communities, are more likely to be identified as abused or neglected and are more likely to be placed into foster care than nonpoor children and

those living in nonpoor areas.[6] At least four hypotheses have been put forward to explain this:

1. Individuals who report families to the child welfare agency are biased and are more likely to report families if they are poor. If this hypothesis is true, we should see elevated rates of reports of *all types of maltreatment* among poor children.

2. Poor parents are under more stress and may therefore resort to harsher parenting. If so, we should see elevated rates of *physical abuse* among poor children.

3. Poor parents do not have the resources to provide adequate care for their children. If so, we should see elevated rates of *neglect* among poor children.

4. The connection between poverty and maltreatment is due to unobserved heterogeneity, i.e., there may be underlying problems, such as substance abuse or mental illness, that cause both the poverty and the abuse or neglect. Usually these underlying problems are thought to lead to parents' failure to provide appropriate care for (rather than actively maltreating) their children. Thus this hypothesis predicts that we should see elevated rates of reported *neglect* among poor children.

We do not yet have enough evidence to determine which hypotheses are valid. What we do have suggests that there is probably some truth to each, but that poverty in the United States is most strongly related to neglect.[7] Cross-country comparisons are also suggestive. The United States, which has a higher rate of child poverty than Canada or England, also has a much higher rate of child maltreatment, and this is due primarily to a higher rate of neglect (rates of physical and sexual abuse are not notably higher).[8]

Thus, it is probably the case that poor parents simply do not have the resources to provide adequate care for their children or are affected by some underlying condition that explains both the poverty and the neglect. Differentiating between these two hypotheses is difficult, but Christina Paxson and I recently found evidence that in states and years where welfare benefits are higher, fewer children are reported for neglect and fewer children are placed in foster care.[9] These results suggest that when it comes to neglect, money, and not just the unobserved characteristics of poor parents, may matter, since presumably the level of welfare benefits in a state and year are not determined by the unobserved characteristics of poor parents.

Focusing on how poverty affects children has implications both for our understanding of poverty and for the design of policy responses. If poverty is related to child neglect, then that connection may help us understand the processes by which poverty leads to other adverse outcomes for children, and that understanding in turn might help us design interventions to help ameliorate those outcomes. ■

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[1]These remarks form part of rapporteur's comments by Professor Jane Waldfogel, presented at the IRP conference, Understanding Poverty in America: Progress and Problems, on May 22–24, 2000, in Madison, WI. The revised conference papers will be jointly published by Harvard University Press and the Russell Sage Foundation in a volume tentatively titled *Understanding Poverty: Progress and Prospects*.

[2]G. Duncan and J. Brooks-Gunn (eds.), *Consequences of Growing Up Poor* (New York: Russell Sage Foundation, 1997); S. McLanahan and G. Sandefur, *Growing Up with a Single Parent: What Hurts, What Helps* (Cambridge, MA: Harvard University Press, 1994).

[3]T. Hanson, S. McLanahan, and E. Thomson, "Economic Resources, Parental Practices, and Children's Well-Being," in *Consequences of Growing Up Poor*, ed Duncan and Brooks-Gunn, pp. 190–238.

[4]See J. Yinger, "Housing Discrimination and Residential Segregation as Causes of Poverty," in this *Focus*.

[5]See M. Corcoran, "Mobility, Persistence, and the Intergenerational Determinants of Children's Success," in this *Focus*.

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[8]Waldfogel, *Future of Child Protection*.

[9]Paxson and Waldfogel, "Work, Welfare, and Child Maltreatment."





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## What's next? Some reflections on the poverty conference

# What's the Internet got to do with it? Housing discrimination in the twenty-first century

David R. Harris, Assistant Professor of Sociology at the University of Michigan

In 1995 I accepted a position at the University of Michigan and began looking for a home. As an African American, I was concerned about facing racial discrimination in the housing market.[1] As a producer and consumer of research on residential segregation, I knew my concerns were justified.

Throughout the 1970s, 1980s, and early 1990s, numerous studies revealed substantial racial discrimination in the U.S. housing market. Some collected housing market data, checked for racial disparities, controlled for nonracial factors, and attributed residual race effects to discrimination.[2] Others interviewed blacks about their experiences in the housing market and took special note of reports of discrimination.[3] Yet a third group of researchers uncovered evidence of antiblack sentiment in the neighborhood preferences of whites, and used this to suggest that there were incentives for real estate agents, landlords, and lenders to discriminate.[4] A fourth body of work relied on housing audits.[5] The basic idea was that if auditors were matched on relevant nonracial traits, any differences between the treatment of white auditors and their black or Latino partners would be due to racial discrimination. Each of these studies has its own particular strengths and weaknesses, but together they present compelling evidence that, in the mid-1990s, blacks and Latinos were less likely than comparable whites to be shown homes in thriving neighborhoods, less likely to be treated with respect by housing agents, and less likely to be approved for mortgages.

Recently I again entered the housing market. Doing so has reminded me of the many unpleasant aspects of home-buying, but it has not aroused my earlier concerns about racial discrimination. It is not that I think real estate agents have stopped discriminating against blacks, or even that my improved economic status now protects me from discrimination; rather, my expectation that racial discrimination will play a smaller role in my current search reflects my belief that existing research on housing discrimination is losing its relevance.

At issue is the technological revolution that is sweeping American society and the fundamental ways that it is changing how people find housing. Whereas in 1995 I obtained nearly all of my information about housing, neighborhoods, and mortgages from real estate professionals, I now make little use of these sources. Instead, I use the Internet to get detailed information about neighborhoods, search and tour homes, review the prices of recently sold homes, apply for a mortgage, obtain homeowners' insurance, and communicate with real estate agents and lenders. Moreover, because none of these sites ever ask for my race, either explicitly or implicitly, searching for a home in cyberspace grants me immunity from racial discrimination. Of course at some point I do meet with real estate agents, but even then there is less discrimination than there would be if I had not used the Internet. In some cases the agent and I have already established a relationship through e-mail—which reduces the motivation to discriminate—and before all face-to-face meetings I have already gathered much of the information that agents have traditionally provided—which limits the opportunity to discriminate.

This relationship between technology and housing discrimination is all the more important because evidence suggests that the Internet is playing an increasingly prominent role in the housing market. There are numerous sites that list homes for sale—one boasts that its database includes more than 1.3 million properties, and some metropolitan areas have put their entire multiple listing service online. According to a recent study, nearly two-thirds of real estate agents now use the Internet to supply potential buyers with information and to cultivate new business.[6] In addition, most mortgage lenders have taken their business on the Internet, and many now accept online loan applications. This combination of abundant information, extreme convenience, and free web sites has made the Internet an increasingly popular tool for many home buyers. A recent survey found that 37 percent of people who purchased a home in 1999 used the Internet to assist with some aspect of their search.[7]

All of this should be good news for those who worry about racial inequality in general, and housing discrimination in particular. I nevertheless fear that this change in how the housing market operates will have negative consequences for blacks and Latinos, despite the potential for gains from this marriage between technology and real estate. The problem is that there are significant racial differentials in Internet access. In its most recent annual report on the "digital divide," the National Telecommunications and Information Administration finds that Internet usage is growing rapidly among U.S. households, up from 26.2 to 41.5 percent between 1998 and 2000.[8] The report also finds that Internet access is unevenly distributed. Less than 20 percent of households with an annual income below $20,000 use the Internet, compared to almost 80 percent of households

with an annual income greater than $75,000. In addition to a digital divide by class, the report presents evidence of a digital divide by race and ethnicity (Figure 1). Whereas over 45 percent of Asian and white households use the Internet, fewer than 25 percent of African-American and Latino households are online. Finally, the report also suggests that there is an interaction between the racial and economic digital divides. Internet usage is somewhat more similar among households with similar incomes, but racial differences persist within income categories, especially among less affluent households (Figure 2).

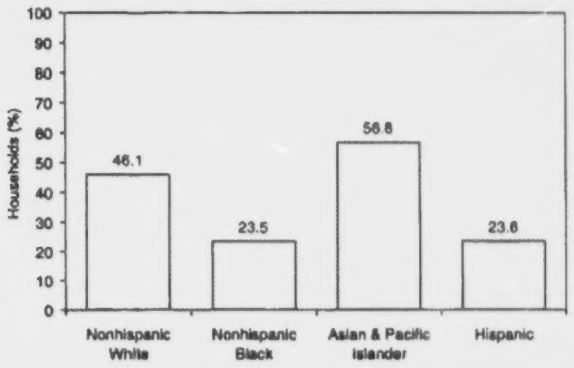


**Figure 1. U.S. households using the Internet, by race and ethnicity, 2000.**

Source: National Telecommunications and Information Administration, *Falling Through the Net: Toward Digital Inclusion* (Washington, DC: NTIA, 2000), Figure I-10.

As a result of the digital divide, the benefits afforded whites by discriminatory real estate agents and lenders are compounded by the information advantage whites gain from the Internet. Rather than leveling the playing field, the Internet and the digital divide are making it even more difficult for many African Americans and Latinos to realize their housing dreams. Given the increasing prominence of the Internet in the housing market, the racial digital divide, and the absence of both in discussions of housing discrimination, researchers and policymakers should make understanding these issues and their implications a top priority.

From a policy perspective, a principal goal should be to find ways to close the digital divide. This effort is already underway in the form of a partnership between government agencies, technology companies, and consumer advocates (www.digitaldivide.gov). Although this initiative and the narrowing of the digital divide over the past two years are both encouraging signs, the magnitude of the remaining gap suggests that more needs to be done. A second goal should be to educate blacks and Latinos about the increasing role that the Internet can play in the home-buying process. If we can achieve these goals, the technological revolution might help eliminate some of the subtle forms of racial discrimination that persist in the housing market and have proven immune to tradi-

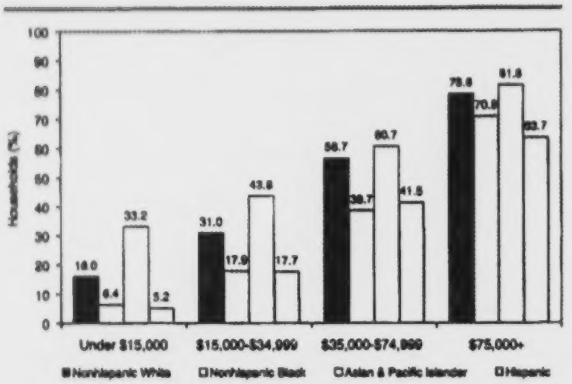


**Figure 2. U.S. households using the Internet, by annual income, race, and ethnicity, 2000.**

Source: National Telecommunications and Information Administration, *Falling Through the Net: Toward Digital Inclusion* (Washington, DC: NTIA, 2000), Figure A-11.

tional antidiscrimination efforts. If our efforts are unsuccessful and the digital divide remains, many blacks and Latinos will find the housing market of the twenty-first century even more hostile than the market described in existing research. ■

[1]These remarks are based upon comments presented at the IRP conference, Understanding Poverty in America: Progress and Problems, on May 22–24, 2000, in Madison, WI. The revised conference papers will be jointly published by Harvard University Press and the Russell Sage Foundation in a volume tentatively titled *Understanding Poverty: Progress and Prospects.*

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[7]K. Roth, *The 2000 National Association of Realtors Profile of Home Buyers and Sellers.* Report of the National Association of Realtors, 2000. < http://www.nar.realtor.com/research/images/668prof.pdf >

[8]National Telecommunications and Information Administration, *Falling Through the Net: Toward Digital Inclusion* (Washington, DC: NTIA, 2000). < http://digitaldivide.gov/reports.htm >

# Using measures of material hardship to assess well-being

Sondra G. Beverly

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Measures of material hardship identify individuals who do not consume minimal levels of very basic goods and services such as food, housing, clothing, and medical care. In recent years, American scholars have begun to supplement traditional measures of income poverty with hardship measures. For example, researchers have created point-in-time estimates of hardship, described trends in hardship, identified the predictors of hardship, and used hardship indicators to evaluate welfare reform.[1]

There are a number of reasons to be concerned about hardship. First are fundamental normative reasons. Partha Dasgupta suggests that material deprivation destroys positive freedom, that is, "our ability to undertake motivated activities and to exercise our realized capacities."[2] Second, individuals are more likely to be "productive," in a broad sense, when nutritional, health, and shelter needs are met. Third, hardship measures, unlike measures of income poverty, acknowledge that living conditions are shaped by much more than current income and family composition. For example, families may receive in-kind transfers or may purchase goods and services with savings or credit. They also face substantially different cost-of-living, out-of-pocket health care, and child care expenditures.

Hardship measures are important tools for policy analysis. Over the past 25 years, the proportion of means-tested benefits received in the form of cash has decreased, while the proportion received as in-kind benefits has increased.[3] However, federal and state governments have only occasionally engaged in systematic efforts to monitor food-, health-, or housing-related hardship. Because existing measures of economic and material well-being are not consistent with public policy interventions, it is difficult to assess the impact of these transfers accurately.[4] This situation has become increasingly problematic since the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

Still, hardship measures have several disadvantages. These measures do not reveal *how* people obtain basic goods and services, and thus they do not count as poor those who avoid hardship through begging, stealing, or taking on debt.[5] They are also vulnerable to criticism on the ground that they do not identify the causes of hardship and thus may be measuring preferences. Households may consume low levels of particular goods and services because they value other outcomes.[5] Finally, there is currently no consensus regarding the definition and measurement of material hardship. What forms of consumption should be included—for example, should telephones and automobiles be viewed as necessities? Within each chosen consumption category, what standards of measurement should we use to determine whether housing or food intake is "adequate"? Who should assess these conditions, "experts" or individual survey respondents?

A systematic effort to improve measures of material hardship is clearly necessary.[6] But until better measures are created, it is possible to make use of available hardship data. This article offers specific recommendations for using existing measures of material hardship.

## Existing indicators of material hardship

Two nationally representative surveys collect data on multiple forms of material hardship: the Survey of Income and Program Participation (SIPP), administered by the U.S. Census Bureau, and the National Survey of America's Families (NSAF), administered by the Urban Institute in partnership with Child Trends. These surveys ask about food insufficiency, housing problems, household crowding, eviction (or difficulty making housing payments), utility disconnection (or difficulty making utility payments), telephone disconnection, medical need, and lack of access to vehicles and other consumer durables.[7] Hardship data from the SIPP are (or will be) available for 1992, 1995, and 1998, with a few exceptions.[8] Hardship data from the NSAF are (or will be) available for 1997 and 1999. Table 1 lists many of the hardship questions available in these surveys.

In addition to these national surveys, state and city surveys designed to evaluate welfare reform often include hardship questions.[9] In some cases, these questions are identical to questions included in the SIPP or the NSAF; in others, they are modified versions. A fairly common question regarding medical need, for example, is: "Was somebody in your home sick or hurt when you could not afford to get medical care?" State and city surveys often ask about hardship experiences that the SIPP and the NSAF do not. For example, several state surveys asked if families ever had to go to a homeless shelter.

## Using existing hardship indicators

Ideally, we should choose hardship indicators for which consistency between the measure and some external criterion has been empirically demonstrated. Such assess-

**Table 1**
**Selected Hardship-Related Questions in the Survey of Income and Program Participation and the National Survey of America's Families**

| | SIPP | NSAF |
|---|---|---|
| Food Insufficiency | Which statement best describes the food eaten in your household in the last four months? (Enough of the kinds of food we want; Enough but not always the kinds of food we want to eat; Sometimes not enough to eat; Often not enough to eat)<br><br>Thinking about the past month, how many days did your household have no food or money (or food stamps) to buy food?<br><br>About how much did your household fall short on its food budget last month? | We worried whether our food would run out before we got money to buy more. (Often true, sometimes true, never true)<br><br>The food that we bought just didn't last, and we didn't have money to get any more. (Often true, sometimes true, never true)<br><br>Did you or other adults in your family ever cut the size of your meals or skip meals because there wasn't enough money for food?<br><br>How often did this happen? (Almost every month; Some months but not every month; Only 1 or 2 months) |
| Housing Problems | Are any of the following conditions present in this home? (A leaking roof or ceiling; A toilet, hot water heater, or other plumbing that doesn't work; Broken windows; Exposed electrical wires; Rats, mice, roaches, or other insects; Holes in floor; Open cracks or holes in the walls or ceiling) | |
| Household Crowding | How many rooms are there in your home? Count the kitchen but do not count the bathrooms. | How many bedrooms are there in your home? |
| Eviction/ Difficulty Paying Rent or Mortgage | Has there been a time when your household did not pay the full amount of the rent or mortgage?<br><br>Has there been a time when your household was evicted from your home/apartment for not paying the rent or mortgage? | Was there a time when you and your family were not able to pay your mortgage, rent or utility bills?<br><br>Did you or your children move in with other people even for a little while because you could not afford to pay your mortgage, rent or utility bills? |
| Utility Disconnection/ Difficulty Paying Utility Bills | Has there been a time when your household did not pay the full amount of the gas, oil, or electricity bills?<br><br>Has there been a time when your household had service turned off by the gas or electric company? | See above |
| Telephone Disconnection | Has there been a time when your household had service disconnected by the telephone company because payments were not made? | Has your household ever been without telephone service for more than 24 hours?<br><br>What was the total amount of time your household was without telephone service for more than 24 hours? |
| Medical Need | Has there been a time when you had someone in your household who needed to see a doctor or go to the hospital but didn't go?<br><br>Has there been a time when you had someone in your household who needed to see a dentist but didn't go? | Did any family member not get or postpone getting (medical care or surgery; dental care; mental health care) when they needed it?<br><br>Did any family member not fill or postpone filling a prescription for drugs when they needed them?<br><br>What was the main reason they did not get (care; prescription drugs)? (Open-ended questions) |
| Lack of Vehicle Access | Does anyone in this household own a car, van, or truck?<br><br>What is the year, make, and model of this (these) vehicle(s)? | Does anyone in your family own a car or other vehicle? |
| Lack of Access to Other Consumer Durables | Which of the following items do you currently have in your home (or building) that are in working condition? (Washing machine; Clothes dryer; Dish washer; Refrigerator; Food freezer; Color television; Gas or electric stove; Microwave oven; Videocassette recorder; Air conditioner; Personal computer; Telephone) | |

Note: Unless written in the present tense or otherwise noted, questions refer to the previous 12 months.

ments have rarely been conducted, so we must rely on cruder standards. At a minimum, we seek indicators that have "face validity" (i.e., they appear to measure what they are supposed to measure) and that are based on unambiguous, unbiased questions. For economic and cultural reasons, hardship indicators may be more or less valid in particular populations, and we must look for those that are appropriate to the population in which we are interested. Below, I discuss some common indicators for each of the domains identified in Table 1.

### Food insufficiency

The first food-insufficiency question included in the SIPP is typically coded dichotomously. Households that report sometimes or often not having enough to eat are considered "food insufficient", and households in the other two categories are considered "food sufficient." Unlike most of the commonly used hardship indicators, this indicator has been subjected to empirical tests of validity. Several studies have shown that usual food expenditures and the intake of calories and several nutrient groups are lower in food-insufficient households than in food-sufficient households.[10] The food-insufficiency indicators in the NSAF (and many of the food-insufficiency questions included in city and state surveys) were taken from the U.S. Department of Agriculture's "food security" measure. The 18-item food security measure has been shown to be valid, and a six-item "short form" has been shown to be a reasonably reliable substitute.[11] Still, more research may be needed to assess the reliability and validity of the four indicators included in the NSAF, because they are used independently from the other questionnaire items.

### Housing problems

In past research, housing problems have been defined as the presence of two or more of six or seven conditions resembling those in the SIPP.[12] This measure may be a poor indicator of hardship if survey questions do not specify how severe a condition should be in order to be considered a "hardship." In the 1992 SIPP survey, higher-income individuals were fairly likely to report rodents or insects, a leaking roof, and broken windows, suggesting that some respondents were reporting "inconveniences" (e.g., ants in the kitchen, a window that wouldn't open) rather than genuine hardships (e.g., rats, a broken window pane).[13] Using these survey questions may cause researchers to overestimate the prevalence of hardship.

There are at least two ways to decrease the incidence of such "false positives." Researchers might choose not to use indicators that are fairly common in higher-income households. Or, when creating a housing problems index, they might choose a more stringent threshold by defining housing problems, say, as the presence of three or more conditions. Both methods might, of course, increase the incidence of "false negatives." Consideration of the consequences of both errors should provide some guidance.

### Household crowding

There are two common definitions of household crowding. The first (available in the SIPP) defines a household as overcrowded when the person-to-rooms ratio is greater than one. This indicator does not take into account the size of rooms, the age and sex of household members, or economies of scale associated with living space.[14] Empirical data suggest that the measure does not capture genuine hardship: in a mid-1980s survey of Chicago households, household crowding was not significantly related to satisfaction with living standards.[15] The second definition (available in the NSAF) says that overcrowding exists when a household has more than two persons per bedroom. This definition does not consider the size of rooms or the age and sex of household members but does, to some extent, adjust for economies of scale.

### Eviction and utility disconnection

With regard to eviction and utility disconnection, there is a conceptual distinction between material and financial hardship. It is possible to argue that measures of material hardship assess actual consumption whereas measures of financial hardship assess potential consumption. If these propositions are true then households can experience financial hardship without experiencing material hardship. Households that do not pay the full amount of their rent, mortgage, or utility bills, or those that pay more than one-third of household income for housing, are certainly vulnerable to material hardship but are not necessarily experiencing it.

The second NSAF question regarding housing and utility payments—"Did you or your children move in with other people even for a little while because you could not afford to pay your mortgage, rent or utility bills?"—is somewhat difficult to classify. Some may argue that this variable captures material hardship in the form of housing instability; others may argue that moving in with others is a strategy to avoid hardship, rather than a hardship per se. Researchers should clarify their interpretation of this variable before using it.

Finally, the two SIPP questions on utility disconnection might best be combined in analysis, so that researchers are more likely to identify households that experienced utility disconnections *because of unpaid bills.*

### Telephone disconnection

Telephones are a key method of communication in contemporary American society. Although some analysts do not consider them to be "necessities," Kathryn Edin and Laura Lein found that a substantial number of low-income single mothers were willing to experience a food shortage or a gas or electric disconnection in order to maintain telephone service.[16] SIPP users who believe that lack of telephone service is a genuine material hardship have the option of combining two indicators in order to

identify those whose service was disconnected *or* who did not own a telephone at the time of the interview. Cross-tabulations of 1992 SIPP data show that 46 percent of those identified as having phone-related hardship by this more comprehensive indicator were not captured by the disconnection indicator alone.[17]

### Medical need

The most common indicators of medical need, including the SIPP and NSAF questions, are especially vulnerable to the criticism that they are subjective, because respondents determine whether medical or dental care was "needed." However, as Susan Mayer and Christopher Jencks argue, "not being able to consult a doctor when you think you are sick constitutes a hardship regardless of whether the doctor could actually help you. Indeed, one major reason for consulting doctors is to determine that 'it's nothing serious.'"[18] For stricter definitions of medical need, these indicators can be combined with other data. For example, it is almost always possible to identify those who did not receive care *and* who lacked health insurance coverage, because most surveys that collect hardship data also ask about health insurance coverage.

Some researchers have defined the lack of health insurance, in and of itself, as a material hardship. It is not clear, however, that this is a good material hardship indicator.[19] Although being uninsured certainly poses some risk, it does not constitute a true hardship for healthy individuals. Nor does having insurance necessarily imply that one can access needed medical and dental care. Insured individuals may not seek care if out-of-pocket expenditures are too high; those covered by Medicaid may find it difficult to access care because of Medicaid restrictions or because physicians refuse to treat Medicaid patients. People living in areas with few doctors and dentists face barriers to access—for example, transportation costs—not captured by health insurance coverage.

### Lack of access to vehicles and other consumer durables

Most surveys that ask hardship-related questions inquire about vehicle ownership or access. The SIPP also asks about access to several other consumer durables, only some of which would normally be considered "necessities." When deciding whether these survey items capture true material hardship, researchers should consider the population of interest. For example, lack of access to a vehicle may be a useful measure of material hardship if there is no convenient and reliable public transportation.

## Creating hardship indices

Although individual hardship indicators are useful because they identify specific hardship experiences, hardship indices also provide important information. In fact, estimates based on single measures are likely to underestimate the extent of material hardship because families allocate resources differently. In difficult times, some families will reduce their expenditures on food, others will choose to move to less desirable housing, and others will give up health insurance.

Hardship indices can also capture the degree of material hardship even if the composite indicators are dichotomous. For example, a simple summative index identifies the number of hardships a household is experiencing, and we might conclude that a family with multiple hardships is worse off than a family with only one. The practice of creating composite measures, however, is not a simple enterprise. There are at least four key tasks.

First, component indicators must be selected. This task is not necessarily straightforward. Researchers must, for example, decide when it is appropriate to combine dissimilar indicators. There are reasons to be cautious about combining measures of material hardship with other measures such as those that capture financial hardship. There are also reasons to be cautious about combining subjective and objective indicators of hardship. Some surveys ask individuals how they *evaluate* the basic goods and services to which they have access. For example, SIPP respondents are asked to rate the general state of repair of their homes and the amount of space in their homes on a scale from 1 to 10. They are also asked whether conditions in their homes are undesirable enough that they would like to move. Because satisfaction is shaped by experience, these indicators should arguably not be used as proxies for, or even combined with, more objective hardship indicators.[20] In addition, if *similar* indicators are included in a hardship index, researchers may double-count a single hardship. For example, it often does not make sense to count a late or missed utility payment and a utility disconnection as two separate hardships.

The second and third tasks associated with creating a hardship index are to select a common scale so that indicators may be combined and to choose a weighting scheme. Most researchers have simply summed several dichotomous indicators. These indices are simple to compute and have intuitive interpretations, but dichotomizing ordinal or continuous measures results in a loss of information.[21] Perhaps more significant, simple summative indices imply that each hardship is equally important, that experiencing a food shortage, for example, is no better or worse than having one's phone disconnected. We need to develop indices that weight component indicators according to "severity" or some other criterion. In the meantime, scholars should use hardship indices only when they are confident that the advantages outweigh these disadvantages.

The fourth task is to choose a threshold value above which individuals are defined as experiencing material hardship. In most cases, there is no best way to do this, and different stakeholders are likely to prefer different

thresholds. Researchers could consider using two or more indices, each with a different threshold value, for example, identifying individuals who experience at least one of six hardships and those who experience at least two of six hardships.

Although American scholars and policymakers have defined poverty almost exclusively in terms of current income, economic poverty is clearly multidimensional. The expanding body of hardship data and the increasing use of hardship indicators are positive developments, but researchers need to be aware of the strengths and weaknesses of existing indicators and indices. In the future, researchers, policymakers, and advocates for disadvantaged groups could work together to improve measures of material hardship. In the meantime, if researchers make thoughtful measurement decisions, existing material hardship data can provide important information regarding well-being. ■

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[1]Point-in-time estimates of hardship are discussed in K. Bauman, *Extended Measures of Well-Being: Meeting Basic Needs, 1995*, Report P70-67, U.S. Census Bureau Washington, DC, 1999, and in M. Federman, T. Garner, K. Short, W. Cutler IV, J. Kiely, and others, "What Does It Mean to Be Poor in America?" *Monthly Labor Review* 119, no. 5 (1996): 3–17. On trends in hardship, see, e.g., S. Mayer and C. Jencks, "Recent Trends in Economic Inequality in the United States: Income Versus Expenditures Versus Material Well-Being," in *Poverty and Prosperity in the USA in the Late Twentieth Century*, ed. D. Papadimitriou and E. Wolff (New York: St. Martin's Press, 1993), pp. 121–203. Predictors of hardship are considered in K. Edin and L. Lein, *Making Ends Meet: How Single Mothers Survive Welfare and Low-Wage Work* (New York: Russell Sage Foundation, 1997). Hardship indicators are used to evaluate welfare reform in, e.g., S. Danziger, M. Corcoran, S. K. Danziger, and C. Heflin, "Work, Income and Material Hardship after Welfare Reform," *Journal of Consumer Affairs* 34, no. 1 (2000): 6–30; P. Loprest, *How Families That Left Welfare Are Doing: A National Picture* (No. B-1). Urban Institute, Washington, DC, 1999; and A. Sherman, C. Amey, B. Duffield, N. Ebb, and D. Weinstein, *Welfare to What? Early Findings on Family Hardship and Well-Being* (Washington, DC: Children's Defense Fund and National Coalition for the Homeless, 1998).

[2]P. Dasgupta, *An Inquiry into Well-Being and Destitution* (Oxford: Clarendon Press, 1993), p. 43.

[3]In the early 1960s, less than 20 percent of public means-tested benefits was transferred to low-income individuals in the form of in-kind benefits. In the early 1990s, the comparable figure was greater than 70 percent ("Improving the Measurement of American Poverty," *Focus*, 19, no. 2 [Spring 1998]: 2–5). However, recent expansions of the federal Earned Income Tax Credit have once again increased the proportion of cash benefits.

[4]R. Blank, *It Takes a Nation: A New Agenda for Fighting Poverty* (New York: Russell Sage Foundation, 1997); S. Mayer and C. Jencks, "Poverty and the Distribution of Material Hardship," *Journal of Human Resources* 24, no. 1 (1989), 88–113.

[5]Although measures of hardship may be confounded by differences in preferences, the causal relationship between the two may be overstated. If hardship measures reflect very basic consumption standards, then it is fairly unlikely that preferences will "cause" hardship, unless households are already quite vulnerable.

[6]S. Beverly, "Measures of Material Hardship: Rationale and Recommendations," *Journal of Poverty*, 5, no. 1 (forthcoming, 2001) provides specific recommendations for improving hardship measures.

[7]The American Housing Survey, administered by the U.S. Department of Housing and Urban Development and the U.S. Census Bureau, also collects data on housing problems, household crowding, telephone disconnection, and vehicle access.

[8]Data on housing problems, household crowding, and access to other consumer durables are not available for 1995. Data on vehicle access are available for 1986–89 and 1991–present. Data for 1992 come from the 1991 and 1992 panels. Data for 1995 come from the 1993 panel. Data for 1998 will come from the 1996 panel.

[9]The Office of the Assistant Secretary for Planning and Evaluation in the U.S. Department of Health and Human Services maintains an on-line library of surveys used by its grantees. < http://www.aspe.hhs.gov/hsp/leavers99/library.htm >

[10]See, e.g., S. Cristofar and P. Basiotis, "Dietary Intakes and Selected Characteristics of Women Ages 19–50 and Their Children Ages 1–5 Years by Reported Perception of Food Sufficiency," *Journal of Nutrition Education* 24, no. 2 (1992): 53–58; D. Rose and V. Oliveira, *Validation of a Self-Reported Measure of Household Food Insufficiency with Nutrient Intake Data*, Technical Bulletin No. 1863, Economic Research Service, U.S. Department of Agriculture, Washington, DC, 1997.

[11]W. Hamilton, J. Cook, W. Thompson, L. Buron, E. Frongillo, and others, *Household Food Security in the United States in 1995: Summary Report of the Food Security Measurement Project*, Food and Consumer Service, U.S. Department of Agriculture, Washington, DC, 1997.

[12]Edin and Lein, *Making Ends Meet*; Mayer and Jencks, "Poverty and the Distribution of Material Hardship."

[13]See S. Beverly, "Economic Poverty Reconsidered: Material Hardship and Income-Poverty in the United States," unpublished doctoral dissertation, Washington University, St. Louis, MO, 1999. Although income and hardship are not perfectly correlated, it is reasonable to expect genuine hardship to be relatively rare in higher-income households.

[14]Large households probably need fewer rooms per person than small households. For example, two adults and one child need two bedrooms and a kitchen/living room. For two adults and four children, three bedrooms, a kitchen, and a living room may be adequate.

[15]Mayer and Jencks, "Poverty and the Distribution of Material Hardship."

[16]*Making Ends Meet*, p. 57.

[17]Beverly, "Economic Poverty Reconsidered."

[18]Mayer and Jencks, "Poverty and the Distribution of Material Hardship," (quotation, p. 98). In their study of Chicago households, Mayer and Jencks reinterviewed participants who answered yes to a very similar question and concluded that this indicator generally did capture genuine medical hardship.

[19]See, e.g., Edin and Lein, *Making Ends Meet*; Mayer and Jencks, "Poverty and the Distribution of Material Hardship."

[20]As Amartya Sen suggests, "a person who is ill-fed, undernourished, unsheltered and ill can still be high up in the scale of happiness or desire-fulfilment if he or she has learned to have 'realistic' desires and to take pleasure in small mercies," *Commodities and Capabilities* (Amsterdam: North-Holland Publishing Co.,1985), p. 21.

[21]For example, when we define food-insufficient households as those which sometimes or often do not have enough to eat, we lose the distinction between sometimes not having enough to eat and often not having enough to eat.



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# IRP Minority Scholars, 2000: Research Projects

In 2000, young researchers selected as IRP Minority Scholars came to UW–Madison for one- to two-week visits during which they gave seminars, worked on their own projects, and conferred with an IRP adviser and other faculty affiliates. Here they give brief reports about the research projects that their seminars presented.

## Poverty in the family: Siblings of the black and white middle classes

Mary Pattillo-McCoy

Middle-class blacks lag behind their white counterparts in numerous domains. Middle-class African Americans are more likely to be lower middle class in both occupational status and income. Middle-class blacks and whites reside in unequal neighborhood environments; the former live with higher poverty rates, higher unemployment, more people on welfare, more high school dropouts, and more crime. Finally, the black middle class is at an extreme wealth disadvantage when compared to whites. The theme in these findings is that middle-class blacks remain ideologically, economically, and socially tied to the black poor. One area that has received little attention is the family of these groups. My research (with Colleen M. Heflin, University of Michigan) investigates "'poverty in the family'" of middle-class blacks and whites.

Much of the urban poverty literature emphasizes social isolation of poor African Americans due, in part, to the outmigration of the black middle class. The literature stresses geographic outmigration, but suggests social distance between poor and nonpoor African Americans as well. However, my ethnographic research in Groveland, a black middle-class neighborhood in Chicago, documents cross-class connections in black neighborhoods and within black families (published in *Black Picket Fences*, University of Chicago Press, 1999). Consider the words of one neighborhood resident:

> Just think about the welfare reform. Just think about your family. Those people that are gonna be hurt by it, they' re gonna come to their family first for support. And how much support can you give? So I think that people 're gonna have to wake up to that. Black people especially.

In her final words, this resident makes a basic assumption that the family members of middle-class African Americans like herself are more likely to be economically needy than the family members of middle-class whites. To test this hypothesis, we use sibling data from the 1994 wave of the National Longitudinal Survey of Youth. We characterize the siblings of middle-class blacks and whites and test for racial differences in the probability of having a poor sibling.

Bivariate analyses of three middle-class samples (middle-income, white-collar, and college-educated) show that middle-class blacks are more than three times as likely as middle-class whites to have a poor sibling. Also, blacks' siblings fare significantly worse than whites' siblings in income, educational attainment, public assistance receipt, employment, occupational status, and family composition. One in four middle-class blacks has a poor sibling compared to approximately one in twelve middle-class whites. College-educated blacks and whites are overall less likely to have poor siblings, but the racial disparity persists.

In the multivariate analyses, we find that having been poor as an adolescent doubles the probability of having a poor sibling, regardless of race. Since middle-class blacks were four times as likely as whites to have been poor, we conclude that the recency of the black middle class strongly contributes to the higher likelihood of having a poor sibling. However, with various individual and family-background controls, middle-class blacks are still twice as likely to have a poor sibling as middle-class whites.

Why does sibling poverty matter? The well-being of extended kin (in our study, siblings) is important because of the material and psychological strain that needy family members can pose, as well as the presence or absence of certain forms of capital. Not only can a poor sibling translate into particular demands on the resources of middle-class blacks and whites (as argued by the Groveland resident quoted above), there is also the simple exposure to the stresses of living in poverty for middle-class adults and their children. Also, a poor sibling is much less likely to be able to provide support for a middle-class sibling who is undergoing his/her own period of economic stress. For example, a poor sibling is unlikely to be able to provide job or educational contacts for sisters and brothers or nieces and nephews. Thus, racial differences in family contexts signal possible differences in pressures to support economically marginal kin, in the presence or absence of positive and negative influences on middle-class youth, and in the larger pool of financial, cultural, or social resources available to black and white middle-class families.

In future research, we intend to explore how different family contexts might affect outcomes such as wealth accumulation and children's educational development.

We are also exploring other data sets, including the National Survey of Family and Households (NSFH), housed at the University of Wisconsin–Madison. Although the NSFH does not query siblings, it does have valuable information provided by parents on various outcomes for all of their children. One variable of particular interest is children's involvement in the criminal justice system. The very high and growing incarceration rates of African Americans suggest that middle-class blacks are more likely than whites to have a family member in jail, which again may affect their own socioemotional well-being or that of their children. Overall, this research agenda extends the literature on racial disparities among the middle class in neighborhoods, occupations, and wealth to illustrate a similar fragility of the black middle class within families.

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## Family environment and adolescent sexual debut in alternative household structures

Mignon R. Moore

This study is part of a larger research agenda designed to increase our understanding of the interactions between family and community environment as they relate to problem behavior for adolescents living outside of two-biological-parent families. The study examines the relationship between family structure, parenting behaviors, and sexual onset for black and white youth in alternative two-parent and single-parent households. Early sexual debut, meaning first intercourse at or before age 16, is considered a problem behavior because younger adolescents are less likely to use condoms or other contraceptives and because longer durations of sexual activity increase the likelihood of sexual disease transmission, adolescent pregnancy, and parenthood. Although the risk of early intercourse is lowest for teens living with two married, biological parents, we know less about the relationship between family structure and sexual debut for adolescents in other two-parent households. Moreover, high levels of parental social support and discipline may also influence the decision to initiate sex, but not much is known about their relationship to sexual debut, nor how parenting from father-figures interacts with family structure to affect the behavior of young people. Finally, there has been little comparative work examining the extent to which family structure and process differentially affect the sexual activity of black and white youth.

The study uses data from the first wave of the National Longitudinal Study of Youth 1997 (NLSY97) to advance the literature in three ways. First, the NLSY97 allows us to examine a more complete representation of families, including divorced and remarried households—family types most often used in research—as well as household structures that have become more common in society, such as cohabiting families, first-marriage stepfamilies,[1] and never married, single-mother households. Second, this research tests the importance of mothers' and fathers' social support and discipline as mediators of family structure, understanding that the effects of fathers' parenting on sexual debut are likely to vary by the way in which a parent enters the family (i.e., as a stepfather or as a mother's cohabiting partner). Third, the study provides pooled and separate estimates by race to examine whether family structures operate in different ways for black and white youth.

In multivariate analyses the logistic regressions for whites show that, compared to living with two biological parents, the risk of early sexual debut is significantly greater for youth in every alternative family structure except the first-marriage stepfamily. The risk of early sexual onset is significantly lower in first-marriage stepfamilies when compared to the risk in remarried and cohabiting households. Interactions with fathers' support and discipline show that, among white families, firm and supportive parenting increases the odds of early debut when received from a male cohabitor or stepfather in a remarried household, and decreases those odds when received from a biological father or a father in a first-marriage stepfamily. This suggests that firm and supportive parenting in first-marriage stepfamilies may operate in a protective way, similar to parenting received from biological fathers in traditional two-parent households, and different from parenting received from stepfathers in remarried families.

Analyses for blacks reveal a different relationship between family structure and adolescent sexual onset. Compared to those in households with two biological parents, youth who live in never-married or maritally disrupted single-mother households have a significantly higher odds of sexual debut. However, none of the alternative two-parent families predicts a risk of sexual onset that is significantly different from that in two-biological-parent families. In addition, the findings suggest that high levels of support from fathers in two-parent households may be protective, regardless of family type.

We know that early sexual onset places youth at risk for a variety of unhealthy outcomes during adolescence and adulthood. Families have the potential to act in a protective way, but the process by which parental behaviors relate to teenage sexual activity has not been well studied, particularly with respect to African-American families and nontraditional, two-parent households. In the present study, the results support existing family structure and parenting theories for white families, but suggest a need to reconceptualize these theories for African-

Americans. My future work in this area will address these issues further using other datasets. I will also combine survey research with qualitative, ethnographic methods to examine racial and ethnic differences in the meaning and nature of social interaction in alternative two-parent households, as well as their influence on adolescent behavior.

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[1]First-marriage stepfamilies are formed as a result of a marriage by a biological parent to a nonbiological parent subsequent to a nonmarital birth.

## Hispanic workers: Determining the nation's future prosperity

Sonia M. Pérez

As the proportion of the U.S. workforce that is Hispanic has increased, the economic status of Latino workers has begun to receive greater attention. Hispanics currently represent one in nine Americans. Owing to both high fertility and immigration, by 2030 one in four Americans will be of Hispanic origin.

The effects of these demographic changes, coupled with the Hispanic population's youthfulness (more than one-third are under 18 years old and almost half are under 25), are already being felt in the U.S. labor market and overall economy. Latino men have consistently had the highest labor force participation rate of any group of male workers. Whereas Hispanic women have typically been less likely than their African-American and white counterparts to work, their labor force participation rates have steadily increased in the past decade, so that they are now close to parity with other American women workers. In 1996, two out of every five workers hired for new jobs were Latino. Moreover, recent research measured the buying power of Hispanics at more than $380 billion in the late 1990s.

These and other signs, like the growth in small businesses and the tendency of Hispanics to form two-parent working families, underscore the economic strength and influence of Hispanic workers—and their potential impact on the cities and states in which they live, as well as on the nation as a whole. Despite these impressive indicators, however, several other areas raise concerns.

Latino families continue to be three times likelier than whites to be poor. It is especially troubling that Hispanic families with full-time, year-round workers are more likely than others to be among the working poor. Further, although the poverty rate of Hispanic families with children dropped from 30.4 percent in 1997 to 28.6 percent in 1998—its lowest rate since 1991—poverty for these families remains more than double the rate of similar white families. Overall, one-third of Latino children are poor.

What explains the mixed economic picture of Latino workers and families? How do Latinos compare to other Americans in terms of economic mobility? How do these comparisons look within and across the diverse U.S. Latino population? And to what degree do factors like immigrant status and discrimination affect Latino economic progress?

National Council of La Raza research shows that low education levels and, in some cases, limited English proficiency influence Latino worker status. Compared to other students, Hispanics enter school later, leave school earlier, and have the lowest high school and college completion levels. Such factors are associated with an occupational distribution that is heavily skewed toward low-wage jobs, poor mobility, and earnings that often do not reach the poverty line, even when workers are employed full time and year round.

Deindustrialization and the increase in low-paying service jobs have also hurt Latino workers. Similarly, changes in the requirements of the workforce, including higher education and skill levels, have resulted in a skills mismatch for Latino workers. Other workplace issues that affect Latino economic status include low rates of health insurance and pension coverage. Labor market discrimination has also been shown to limit job opportunities for Hispanic workers, and more research is needed to update previous studies and further document and address these practices.

Finally, the "immigrant" factor has often been cited as contributing to a depressed overall economic profile of U.S. Hispanics. Data show that 70 percent of Hispanics are citizens (63 percent are native born and 7 percent are naturalized). Of those under 18, 85 percent were born in the United States. Given that Hispanic immigrants are especially likely to have low human capital, some argue that their outcomes adversely mask the progress of native-born Latinos. Our research shows that although Latino immigrants do tend to be poorer than Latinos born in the United States, native-born status alone is not enough to ensure economic stability or mobility. For instance, the poverty rate of U.S.-born Mexican Americans is still three times higher than that of whites. And Puerto Ricans, U.S. citizens by birth, have consistently had the highest poverty rate of all Latino subgroups. Moreover, immigrants have other positive characteristics that arguably strengthen the Latino community and the nation, including a strong work ethic and entrepreneurial spirit, and high home ownership rates.

Why does this matter and what are the implications for the nation? Changes in the composition of the U.S. popu-

lation mean that Latinos represent an increasing share of students, workers, and taxpayers. This suggests that the sustainability of the nation's economy will depend on the labor force participation and productivity levels of the significant proportion of Latinos who are entering their prime working years. To ensure that Latino workers are adequately prepared to compete and excel in the workforce, increasing Latino educational attainment stands out as the most important and pressing policy priority. While we pay attention to lowering the Hispanic dropout rate, we need to go beyond that and look at preprimary education and the college completion rate, given the demands of the current economy. Additionally, the Earned Income Credit is arguably the most effective antipoverty policy for Latino workers, and policymakers should heed the calls for expanding and deepening the credit.

Many of the challenges facing Latino workers are not intractable. High levels of economic and social "'return'" are achievable if the nation makes critical education and workplace investments in low-wage workers. In light of the growing awareness of the importance of Latino workers to the economy, such investments are well within the nation' s capacity and interest.

Sonia M. Pérez is Deputy Vice President for Research at the National Council of La Raza in San Juan, Puerto Rico; she was a Visiting Minority Scholar at IRP in April 2000. This summary is based on research presented in Sonia M. Pérez, ed., *Moving Up the Economic Ladder: Latino Workers and the Nation' s Future Economic Prosperity*, National Council of La Raza, Washington, DC, 2000.

## Does racial integration in schools improve some black outcomes and not others?

Lloyd A. Blanchard

Since the publication of the Coleman Report, scholars have wrestled with whether or not, all else being equal, desegregation would improve the educational outcomes of disadvantaged black children.[1] In an attempt to answer this long-assumed, but never resolved question, I use a public-sector cost function approach, which includes a measure of black-white integration among other cost factors.[2] With the cost function, expenditure per pupil is the dependent variable and any number of outcomes can be used as explanatory variables, whereas with the traditional education production model, only one outcome can be used as the dependent variable. A key advantage is that the cost model focuses on the practical resource trade-offs that are inherent in the policy interventions ultimately sought. I modify this cost model to facilitate group-specific interpretations.

Using school district data from the Census, the Department of Education's Common Core of Data, and the New York State Education Department, I find a significant inverse relationship between black-white integration and educational costs when the test score and retention rate (one minus the dropout rate) variables are included in the model (New York sample), and a positive relationship between integration and costs when the retention rate is the only outcome variable included (U.S. sample). This suggests that greater integration reduces the cost of increasing black children's test scores, but raises the costs of increasing their retention rate. When I drop the test score variables from the New York model, the remaining retention effect becomes insignificant. Taken together, these results suggest a somewhat paradoxical effect: although integration may help improve the cognitive development of black children, it may also exacerbate the already high rates of dropping out of school for this group.

Though these results are interesting and potentially important, I would like to examine them using microdata that allow a comparison of test scores and dropout rates of black and white students in districts with varying degrees of integration. Although this basic approach has appeared in the literature, one should take into account the ecological perspective that children develop within sets of embedded contexts. That is, it is likely that the social influences on individual students are contingent upon their membership in peer groups, classes, schools, and neighborhoods. Furthermore, this perspective may be the most appropriate way to represent the "segregation" that takes place in a variety of contexts. I believe hierarchical models are useful conceptual tools that help us discern the theoretical paths through which these ecological effects operate.

In its most general form, the hierarchical model is a random-coefficients model, where the estimated parameters of a regression equation are thought to vary by some specified group characteristic. For example, if the data contain 100 children in 10 neighborhoods, and test scores represent the dependent variable, a simple hierarchical model with an intercept and a single slope parameter on a student characteristic will effectively produce 10 estimates of the parameter that is thought to vary by neighborhood. Then, in effect, these estimated coefficients are regressed on the neighborhood characteristic to obtain the *neighborhood-contingent effect of the student characteristic on test scores*. This approach is somewhat equivalent to the common practice of including a student-neighborhood interaction term, but the hierarchical approach explicitly recognizes that only the student characteristic has a direct effect on test scores, whereas the neighborhood simply mediates this effect.[3] Moreover, if one included neighborhood variables specific to adult, peer, and institutional contexts, then one

might be able to test the alternative hypotheses and learn more about the theoretical pathways through which neighborhoods operate. Notwithstanding the empirical problems of estimating neighborhood effects, the hierarchical model, in my opinion, provides a useful framework by which we can begin to better sort out the myriad influences on the educational outcomes of disadvantaged children that are not based in the school itself.

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[1]J. Coleman, E. Campbell, C. Hobson, J. McPartland, A. Mood, and others, *Equality of Educational Opportunity* (Washington, DC: U.S. Government Printing Office, 1966).

[2]For a seminal discussion on public-sector cost models, see D. Bradford, R. Malt, and W. Oates, "The Rising Cost of Local Public Services: Some Evidence and Reflections," *National Tax Journal* 22 (June 1969): 185–202. For a recent application to education, see W. Duncombe and J. Yinger, "Why Is It So Hard to Help Central-City Schools?" *Journal of Policy Analysis and Management* 16, no. 1 (1997): 85–113.

[3]I realize that this is an empirical question, but most studies avoid discussing the conceptual rationale for including such interaction effects. The mediating effect of environmental contexts is at the heart of the burgeoning social capital literature. For a recent review, see M. Woolcock, "Social Capital and Economic Development: Toward a Theoretical Synthesis and Policy Framework," *Theory and Society* 27 (1998): 151–208.


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# Evaluating welfare reform in an era of transition: Are we looking in the wrong direction?

Thomas Corbett

Thomas Corbett recently completed his second term as Associate Director of the Institute for Research on Poverty. He was a member of the Panel on Data and Methods for Measuring the Effects of Changes in Social Welfare Programs, organized by the National Academy of Sciences.

In February 1996, the Institute for Research on Poverty and the National Center for Children in Poverty organized a national conference on the future of research and evaluation in light of the potential transfer of responsibility for welfare policies and programs to the states.[1] The mood among participants was palpably pessimistic. If the locus of responsibility was shifted from the federal government, would interest in and support for evaluation wane?

Quite to the contrary, passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in August 1996 released a torrent of evaluative activity. The federal government, states, and the philanthropic community encouraged and supported an unprecedented effort to understand the consequences of reform and devolution. By one perhaps conservative estimate, the major foundations invested some $100 million into activities devoted to evaluating and monitoring the effects of Temporary Assistance for Needy Families (TANF).[2] Congress appropriated several million dollars annually to answer a single question, "What happened to those leaving the cash welfare rolls?" and some $10 million annually to develop the Survey of Program Dynamics (SPD), a longitudinal survey explicitly designed to assess devolution. Demetra Nightingale and Kelly Mikelson of the Urban Institute identified some 50 studies, reports, and analyses of Wisconsin's W-2 program alone.[3]

Still, the policy community is uncertain about what we have learned, or about whether we have learned enough, given the size of the investment. In 1998, the National Academy of Sciences established a Panel on Data and Methods for Measuring the Effects of Changes in Social Welfare Programs, sponsored by the Office of the Assis-

tant Secretary for Planning and Evaluation (ASPE) in the U.S. Department of Health and Human Services. The panel's charge was to examine the multiple challenges posed to the evaluation community by the sweeping reforms of the mid-1990s. Has welfare reform "worked" and if so, for whom, and why? What have been its effects on families and individuals? In looking to future policies for helping low-income families, which elements of the new welfare system should be changed, which retained?

The panel was, in fact, not asked to answer these questions, but only asked to consider whether and how they might be answered. To do so, panel members agreed, two issues must be addressed. First, what types of studies, what methodologies, are most useful in determining the effects of present policies? Second, what types of data are needed? Are the federal and state data now available adequate, and if not, what infrastructure investments are necessary?

In its final report, released in April 2001, the panel considered both these issues at length. The accompanying article (p. 7) summarizes its analysis, examining in particular an issue to which it gave high priority—the deficiencies in the current design and collection of data—and outlines its recommendations for improvement.

The panel acknowledged that "studies of welfare reform to date have done a reasonable job of monitoring the progress of the low-income and welfare populations . . . although usually only after reform" (p. ES-2), but its ultimate conclusion is quite cautionary:

> Overall . . . the nation has largely failed in one of the most important goals of a mature and advanced society, namely, to be able to measure the effects of the policies it enacts so that these policies can be improved in the future. (p. ES-3)[4]

This article, in contrast, explores an issue that is simultaneously more limited in scope yet much broader in consequence. It asks: What lesson should be drawn from the panel's conclusion that our knowledge-building sector is failing to understand one of the most ambitious policy reforms of the last half-century?

## The new face of welfare

Why has such an unprecedented investment in knowledge-building led to this sense of failure? There are several usual suspects. For one thing, those opposed to these reforms find supportive evidence unconvincing or incomplete, and those who support the reforms may well be disposed to believe that the next study will provide the unambiguous evidence of success that they seek. Each faction tends to believe that another study that focuses on different outcomes, uses more sophisticated measures, or taps into a more appropriate target population will be more "convincing"—a word that usually implies "supports our perspectives."

The perceived shortfall might also be attributable to the disproportionate attention given to some issues to the exclusion of others. The early concern about falling caseloads led to an emphasis on "leavers" studies that is reflected in the congressional appropriations: what happened to those exiting the cash assistance rolls? Quickly, dozens of studies emerged, many of dubious quality, yet often producing similar results. Initially this lopsided allocation of evaluation resources to those leaving cash assistance meant that other populations of interest were ignored—for example, those who stayed on welfare, applicants diverted from cash assistance, and low-income families who did not even seek assistance under the new rules.

There is, in addition, some confusion because the standards of success seemed to shift. Reforms focused largely on labor market attachment suddenly were being judged by standards related to reductions in the poverty rate and improvements in child well-being, areas where realistic improvements might only be seen in the longer term. More important, the first reforms implemented under TANF did not address this more ambitious set of social objectives.

Above all, there is a sense of inadequacy, perhaps better thought of as a failure of confidence. The operational world of welfare was changing so quickly that the evaluation community could no longer be sure it was looking at the right questions. The NRC report expresses this sense of uncertainty as follows:

> Welfare reform is a moving target for evaluation because the strategies and policies practiced by states are still evolving. There is some evidence that states, having largely accomplished their caseload-reducing goals, are now turning their attention to the provision of services to poor families, in general, and to women and families who are not receiving welfare. Provision of work supports, such as child care, as well as services meant to address other problems and barriers women experience in attempting to reach self-sufficiency, are widely discussed. Welfare reform is a continuing, dynamic process as states gradually confront new problems and face new challenges. The energy in this evolution is an indication of a system that is constantly trying to improve itself, which is clearly desirable, but it makes the problem of evaluation quite difficult. Estimates of the effect of welfare reform to date are not necessarily applicable to the future, when the nature of the reform may have changed.[5]

Two major transformations suggest that the reality of social assistance for low-income families with children may differ radically from the conventional notion of welfare reform, as represented by TANF.

First, the character of TANF, what might be called the core technology of the program, has changed greatly in the last four years. Cash assistance caseloads have

dropped by more than half since 1994, and by an even higher rate if the child-only cases are excluded, thus altering the character of the population served and freeing up resources for investments in new service strategies to assist the remaining families.

One reflection of this is a profound change in the investments that many states are making with TANF dollars. Implicitly recognizing this, the Welfare Peer Assistance Network (WELPAN) of senior welfare officials from the upper Midwest examined the patterns of TANF and matching state expenditures in fiscal years 1996 and 2000.[6] Figure 1 demonstrates that income support, the dominant function of traditional welfare, is rapidly declining in those states participating in WELPAN. In 1996, from 60 to nearly 80 percent of all TANF resources were devoted to the traditional welfare function—providing income assistance to eligible families. Just four years later, that proportion had fallen to between 12 and 45 percent.

If states are not spending most TANF resources on cash assistance, where is the money going? Figure 2 gives us some clues. In 2000, child care was the major expenditure item, outranking even cash assistance. Spending on efforts to move recipients into the labor force had also increased, though perhaps less than might be anticipated. Spending on what the states call *family formation and stability* initiatives had increased dramatically. This category includes initiatives ranging from home visits to newborns in low-income families to housing stabilization programs and efforts to reduce intrafamily violence and conflict, reattach fathers to their children, reduce teen pregnancy, and help youth achieve more in school. The emerging principle guiding state investments of TANF resources appears to be that strong families produce better workers and that work helps stabilize families. A separate analysis of Wisconsin's expenditure patterns (not shown) indicates that the state spent about 4 percent more on family stability issues than on cash assistance.

Second, much of the real action may in fact be outside TANF. Federal supports for the working poor, to take one example, have multiplied some eightfold in real terms since the late 1980s.[7] Whereas cash welfare reaches fewer families, the EITC, the increased minimum wage, and greatly increased support for child care suggest that the cash transfer functions of TANF, per se, may not be the best place to look in assessing the effects of reform. For example, between 1989 and 1999 the minimum wage increased in real terms by 15 percent and the federal EITC for families with two or more children jumped by more than 200 percent.[8]

The shift in the structure of social assistance from cash welfare to other forms of help may be even more profound. Figure 3 summarizes the changing nature of the assistance caseload in the state of Wisconsin. In 1995, there were

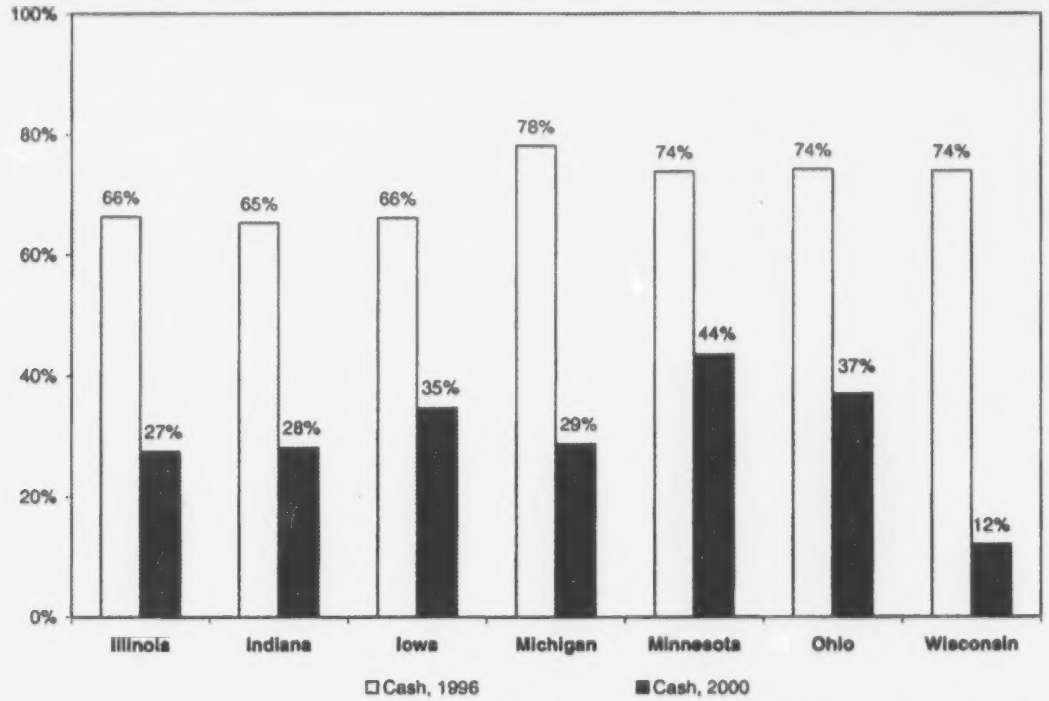


**Figure 1. Cash assistance in upper Midwestern states, 1996 and 2000, as a percentage of all TANF expenditures and other child care expenditures.**

**Source:** Data provided by member states of the Welfare Peer Assistance Network.





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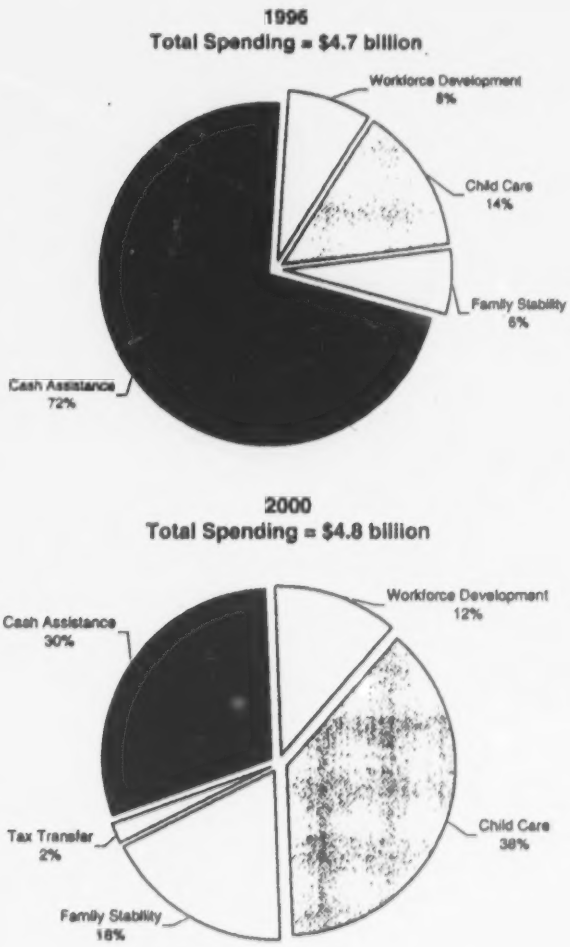


**Figure 2. Average distribution of welfare expenditures for a group of upper Midwestern states, 1996 and 2000.** Included are Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio, and Wisconsin.

Source: Data provided by member states of the Welfare Peer Assistance Network.

about 119,000 cases receiving help from one or more major welfare programs (AFDC, Food Stamps, and Medicaid). Of these, 62 percent were getting cash assistance. In 2000, the total caseload had declined marginally, to 112,000 cases, but about 10 percent were enrolled in Wisconsin Works (W-2), the state's TANF program, and just over half of these were receiving cash assistance.[9]

But the shift from cash welfare to broader support for low-income families is even more dramatic. Wisconsin has consciously attempted to decouple what some refer to as transitional supports (child care and health care) from cash welfare status. Through a state program, BadgerCare, health insurance is made available to virtually all low-income families; waiting lists for subsidized child care have disappeared as a result of massive increases in funding both inside and outside TANF; all of child support collected on behalf of children on W-2 is passed through to the family (the state retains nothing); and the state has a refundable earned income tax credit that amounts to 43 percent of the federal credit for families with three or more children. Finally, in most communities help for low-income families is not provided through a welfare agency, but through one-stop workforce development and human service agencies that are intended to provide all members of the community with a set of integrated services.

In short, a researcher looking only at W-2 to assess the well-being of low-income families would be examining one small slice of a large pie.

## Future challenges

The transition from income support to job placement under TANF has exceeded the expectations of all but the most demanding critics. Now many states are engaged in extending the program to new purposes—work support, job stability, and career advancement—where they must consider how to serve the working poor, in contrast to the previously dominant focus on the nonworking poor.[10] And with smaller caseloads, states are doing more to provide services to families directly or through networks of local providers, including faith-based organizations. At the same time, they are expanding their focus to implement preventive services to broader segments of the low-income community.

These changes, which are happening to different extents and at different speeds among the various states and substate jurisdictions, raise serious issues for the evaluation community. We have shifting purposes, shifting program technologies (i.e., core program functions), confusing and porous organizational boundaries (where is the welfare agency?), and confusion about the target population. In 2000, the Wisconsin Department of Workforce Development commissioned a "white paper" simply to explore the meaning of a "case" as the new face of welfare comes into view.[11]

Members of the Panel on Data and Methods for Measuring the Effects of Changes in Social Welfare Programs, in the opinion of this one member, did an admirable job of assaying the challenges, methods, and data infrastructure associated with understanding the nature and consequences of welfare reform. Its main conclusions and recommendations warrant serious consideration.

That said, it is difficult not to see the panel's work as a snapshot, no matter how perceptive, of a phenomenon undergoing rapid change. The pace, scope, and even locus of change continue unabated. There is no longer a formal and predictable policy apparatus whereby important decisions are made in Washington, or whereby Washington controls the pace and direction of change. In



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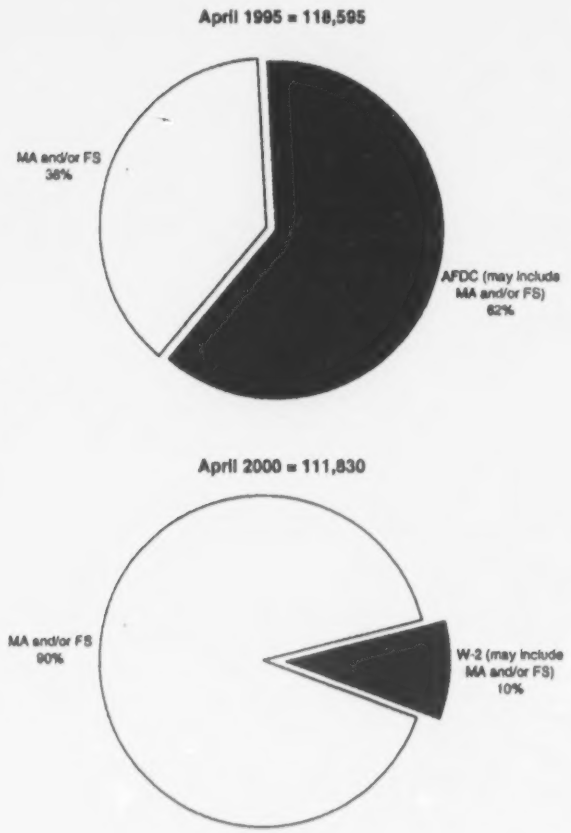


**Figure 3. Families receiving Medicaid, food stamps, and W-2 services in Wisconsin, 1995 and 2000 (unduplicated case counts).**

Source: R. Swartz, "What Is a Case in Postreform Wisconsin? Reconciling Caseload with Workload," Wisconsin Works (W-2) White Paper prepared for the Wisconsin Department of Workforce Development, available on the DWD World Wide Web site, at <http://www.dwd.state.wi.us/desw2/w2_white_papers.htm>.

many instances, state capitols are no longer the key players; the initiative has passed to local agencies and the networks of nonprofits and for-profits through which they deliver services. This secondary devolution is to be expected as the salient function of TANF agencies shifts from income support, which can be managed by centralized bureaucracies, to social services, which cannot.

At the February 1996 conference on monitoring the effects of the new federalism, two basic models were entertained. Both assumed that the pace and scope of change would increase. One model, in response, would forsake any national dialogue about how to evaluate reform and permit a vigorous market of individual researchers, research firms, and states to develop their own agendas. This assumes that a centralized structure would be inefficient and probably wrong. The second model calls for a continuing national dialogue to keep abreast of the emerging questions and develop methods for addressing those questions.

In many respects, the panel's report addresses that challenge. It suggests that the federal Department of Health and Human Services take a more active role in helping to frame emerging research and evaluation questions and in ensuring that the nation's data and statistical infrastructure is capable of meeting future needs. But it also suggests that *all* stakeholders participate fully in this critical dialogue, to monitor change as it evolves and to articulate new research and management questions as they emerge.

The choice between a market-driven and a centralized planning strategy is, in truth, a false choice. Individual researchers and firms and localities will continue to pursue their agendas. But absent a national dialogue, we may continue to frame our evaluation questions by looking in the rearview mirror. Then, we may wonder why we spend so much and seem to learn so little. ■

[1]See *Focus* 18, no. 1 (Special Issue 1996), for reports summarizing the conference, Monitoring the Effects of the New Federalism.

[2]Michael Laracy, Senior Associate, Annie E. Casey Foundation, in remarks made to the Welfare Peer Assistance Network (WELPAN) in February 2000.

[3]D. Nightingale and K. Mikelson, "An Overview of Research Related to Wisconsin Works (W-2)," Urban Institute, Washington, DC, March 2000.

[4]R. Moffitt and M. Ver Ploeg, eds., *Evaluating Welfare Reform in an Era of Transition*, Panel on Data and Methods for Measuring the Effects of Changes in Social Welfare Programs (Washington, DC: National Academy Press, 2001), pp. 1-2, 1-3. [Pagination refers to the prepublication draft.]

[5]*Evaluating Welfare Reform*, p. 1–6.

[6]Participating states in WELPAN are Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio, and Wisconsin.

[7]D. Ellwood, "Anti-Poverty Policy for Families in the Next Century: From Welfare to Work—and Worries," *Journal of Economic Perspectives* 14, no. 1 (Winter 2000): 187–98.

[8]R. Blank and L. Schmidt, "Work and Wages and Welfare Reform," and R. Haskins, "The Second Most Important Issue: The Effects of Reform on Family Income and Poverty," papers presented at the conference, The New World of Welfare: An Agenda for Reauthorization and Beyond, Washington, DC, February 2001.

[9]R. Swartz, "What Is a 'Case' in Postreform Wisconsin? Reconciling Caseload with Workload," Wisconsin Works (W-2) White Paper, Wisconsin Department of Workforce Development, March 2001 <http://www.dwd.state.wi.us/desw2/w2_white_papers.htm>.

[10]T. Corbett and R. Weber, "Toward Work Stability and Career Advancement—The Next Stage of Reform," Wisconsin Works (W-2) White Paper, Wisconsin Department of Workforce Development, March 2001 <http://www.dwd.state.wi.us/desw2/w2_white_papers.htm>.

[11]R. Swartz, "What Is a Case?" The Department of Workforce Development commissioned the Wisconsin Works (W-2) White Papers as a framework through which some of the questions most relevant to the continued success of W-2 could be addressed. Several are available on the DWD World Wide Web site at <http://www.dwd.state.wi.us/desw2/w2_white_papers.htm>.

# *Evaluating welfare reform in an era of transition*: A report of the National Research Council

> From an evaluation point of view... the highest priority now should be to set up data and evaluation mechanisms that are capable of monitoring relevant populations and evaluating the impact of the new and ongoing strategies constantly being adopted.
>
> *Evaluating Welfare Reform*, p. 22

In 1998, the National Academy of Sciences established a Panel on Data and Methods for Measuring the Effects of Changes in Social Welfare Programs, sponsored by the Office of the Assistant Secretary for Planning and Evaluation (ASPE) in the U.S. Department of Health and Human Services (DHHS). The panel's charge was to examine the multiple challenges posed to the evaluation community by the sweeping reforms of the mid-1990s.

In its final report, the panel noted that the volume of research on welfare reform has been unprecedented in its scope, volume, and diversity. Both the federal government and private foundations have devoted enormous resources to producing valuable information. But the panel also found serious gaps and weaknesses, which have not been fully recognized, in the data and the methods used for evaluating welfare reform.

This article briefly summarizes the panel's main conclusions regarding the methodologies best suited to monitoring and evaluating the reforms. In greater detail, it reports upon their discussion of the data needed to understand the effects of the reforms—both the deficiencies in current design and collection and suggested remedies.

## Framing the evaluation of reform

A serious weakness in developing a broad agenda for evaluating welfare reform has been the failure to articulate the central questions of interest, and to systematically ensure that all of them are given appropriate emphasis. The panel identified three main categories of discussion: the populations of interest, the outcomes of interest, and the formal evaluation questions that ought to be answered.

### Populations of interest

In so fundamental a reform as the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, the consequences of particular reforms will reverberate throughout low-income communities. All low-income families, and especially the welfare population of low-income mothers with children, are, therefore, the first population of interest. Most studies so far have focused on some fairly narrowly defined subgroups, often to the exclusion of others, and a broader perspective is necessary.

Within the population of low-income families, many subpopulations exist. Families that have left welfare (the "leavers") are only a small subset of the welfare population. Equally important are families still receiving benefits and families who are not receiving benefits because they were diverted, rejected, or discouraged from applying. Families with special needs—mental or physical health problems, for example—constitute the core of the "hard-to-serve" welfare population and require intensive evaluation.

### Outcomes of interest

Different audiences—national or state legislators and administrative officials, particular interest groups, and the general public—have focused on different goals for welfare reform: increasing work and self-sufficiency, reducing out-of-wedlock births and promoting marriage, reducing welfare caseloads, improving the general well-being of families and children, and giving states and local governments more control over policies and pro-

*Evaluating Welfare Reform in an Era of Transition: A Report of the National Research Council* was edited by Robert Moffitt (Johns Hopkins University), chair of the Panel on Data and Methods for Measuring the Effects of Changes in Social Welfare Programs, and Michele Ver Ploeg, staff member of the Committee on National Statistics. Panel members were John L. Adams (RAND), Thomas Corbett (University of Wisconsin–Madison), John L. Czajka (Mathematica Policy Research, Inc.), Kathryn Edin (Northwestern University), Irwin Garfinkel (Columbia University), Robert Goerge (Chapin Hall, University of Chicago), Eric Hanushek (Hoover Institution, Stanford University), V. Joseph Hotz (UCLA), Richard A. Kulka (Research Triangle Institute), Rebecca A. Maynard (University of Pennsylvania), Susanne M. Randolph (University of Maryland), and Werner Schink (State of California, retired). Constance Citro (CNS staff) also helped with the panel's work. The report will be published in July 2001 by the National Academy Press. The text is also available on the World Wide Web site of the National Academy, at <http://books.nap.edu/books/0309072743/html/index.html>.

grams. Thus the outcomes of interest should be defined as broadly as the populations. They include:

1. Traditional measures of well-being for adults and families, among them income, poverty rates, consumption of food, clothing, housing, and other goods, employment, education, and health;
2. Traditional measures of child well-being: physical, cognitive, and behavioral development;
3. Measures of family structure and family formation: marriage, childbearing, and living arrangements;
4. Outcomes for governments: size of caseloads and program expenditures;
5. Changes in organizational structures for administering programs.

**Research questions of interest**

These fall into three main categories:

*1. Monitoring questions:* How has the well-being of the low-income population and key subgroups evolved since welfare reform? Which subgroups are doing well, which less well? Which subgroups are in greatest need and deserve concentrated attention?

*2. Program and policy questions:* What policies, programs, and administrative practices have states and localities actually implemented as part of welfare reform? How wide is the variation among and within states? How has implementation differed from official policy? How has the environment of programs outside Temporary Assistance for Needy Families changed?

*3. Impact evaluation questions:* What are the effects of the entire bundle of changes in policies, programs, and practices on well-being? What are the effects of broad components of welfare reform (work requirements, sanctions, time limits, family caps, etc.) on outcomes? What are the effects of specific strategies within those broad components (type of work strategy, specific cash assistance level, nature of sanction policy, etc.) on outcomes?

Because research on welfare reform has not been guided by a comprehensive set of questions, the panel concluded that there are large gaps in what is known about its effects. For example, much more research has addressed monitoring questions than impact evaluation questions.

**Evaluation methods**

Good answers to research questions about program monitoring and actual implementation are primarily a matter of the extent and quality of data collection, a topic discussed later in this article.

Impact evaluation questions are more complex. They require that we estimate two quantities: the actual outcomes of a policy change, and those that would have occurred in the absence of the policy (this is generally called the "counterfactual"). The basic difficulty in all evaluation studies is that the counterfactual cannot be directly observed, because it is impossible to know for

**Table 1**
**Alternative Evaluation Methodologies for Different Questions of Interest**

| Questions of Interest | Experimental Methods | Nonexperimental Methods |
|---|---|---|
| What are the overall effects of the complete bundle of changes? | Poorly suited<br><br>Problems: contamination of the control group; macro and feedback effects; inability to generalize from only a few areas | Moderately well suited<br><br>Time-series modeling and comparison-group designs using ineligible populations are the most promising |
| What are the effects of the individual broad components of welfare reform? (e.g., what is the effect of having any time limit?) | Moderately well suited<br><br>Need to be complemented with nonexperimental analyses for entry effects and to allow results to be generalized to larger populations | Moderately well suited<br><br>Cross-area comparison designs, followed over time, are the most promising<br><br>Problems: Lack of variation in programs across areas; measurement of policies; data limitations |
| What are the effects of particular strategies? (e.g., what is the effect of Work First vs. a Human Capital employment strategy?) | Well suited<br><br>Need to be complemented with nonexperimental analyses to allow results to be generalized to larger populations and, possibly, to determine entry effects | Poorly suited<br><br>Within-area matching designs may be the most appropriate, then cross-area comparison designs<br><br>Problems: Extreme data limitations and lack of statistical power; uncertain reliability of matching |

**Source**: *Evaluating Welfare Reform*, p. 64.

sure what would have happened in the absence of the policy change.

Evaluation methodologies, therefore, attempt implicitly or explicitly to estimate those counterfactual outcomes. In *experimental methods*, the outcomes are estimated by means of a control group to which individuals have been randomly assigned. In *nonexperimental methods*, the outcomes are estimated by means of a comparison group of individuals who are not randomly assigned but who are considered to be similar to those that actually experienced the policy. Table 1 lists the advantages and disadvantages of these two approaches to the questions of most interest in formal evaluations of the well-being of the low-income population.

The panel criticized the record on the evaluation of the welfare reforms: "For a mature society like the United States, with over 40 years of experience in evaluating social welfare programs, the record of accomplishment for a major piece of social legislation to date is not sufficient" (*Evaluating Welfare Reform*, p. 99). It called for a major new effort to develop a "comprehensive evaluation framework for social welfare programs that considers the major questions of interest and the evaluation methods appropriate for each" (pp. 99–100).

The panel urged that leadership in this effort be taken by ASPE, the agency that is responsible for strategic planning, policy development, and evaluation of all health and human services programs. In addition, the federal government should help states develop their capacity to conduct high-quality evaluations.

## Data collection strategies

Successful monitoring and evaluation of welfare reform are impossible without good data, regardless of how clearly the questions of interest are defined and how strong the evaluation methodologies are.

Good data have reasonably good coverage of the population in question. They contain measures of key variables—characteristics of policies, of families, or of individuals. They are reasonably accurate, with few response errors, understatements, or missing values. They are available for a reasonably long period of time, and are comparable over time. The sample sizes are large enough for reliable statistical evaluation, in many cases at state and local levels. And for valid interstate comparisons, the concepts and definitions must be the same.

As responsibility devolved to state and local governments, new programs proliferated and states assembled their own bundles of reform components and strategies, each targeting somewhat different populations. These differences are compounded by the existing interstate variation in Medicaid and other social welfare programs and in labor markets, demographic profiles, and general socioeconomic environment. The demand for state and local data has mushroomed, and the number of state and local surveys, which have historically been quite rare, has also grown.

How good are our data? The panel identified and assessed four major data sources: question-and-answer surveys, administrative data, descriptive data about programs, and qualitative data.

### National survey data

A number of national surveys are heavily used for monitoring and evaluating social welfare programs (see Table 2). These surveys, to varying degrees, contain much information relevant to welfare—income, earnings, employment, program participation and benefit receipt, family and individual well-being, and family structure. Except for the SPD, however, the surveys were designed for other purposes, not for evaluating welfare reform. And the decentralized and fluid nature of the new welfare environment has made it more difficult for them to capture the welfare program benefits received by respondents. There is no longer even a common program name for benefits across states, and cash assistance is not the only, perhaps not even the most central service that states offer low-income families.

The panel found that "each of the major national household survey data sets most suitable for monitoring and evaluation has significant limitations in terms of sample size, nonresponse levels, periodicity, response error, population coverage, or survey content." (*Evaluating Welfare Reform*, p. 119)

Most surveys, for example, are not representative of smaller geographic areas, a significant disadvantage for studying welfare policies that have been devolved to state and local jurisdiction. The census, which does cover such areas, is taken only once every ten years, not frequently enough for timely monitoring or evaluation. Because national surveys aim to be representative of the entire population, sample sizes for the low-income populations and subpopulations may be problematic; they can produce reliable estimates of well-being for the nation as a whole, but not for individual states or groups such as immigrants or the disabled. Of the currently available data sets, only the CPS has the sample size and statistical power necessary for such analysis. The ACS, now under development, should have considerable potential for precise estimates for smaller groups, but its future is uncertain.

The timeliness with which data are collected and released is a severe limitation, especially for the two key surveys monitoring welfare program participation, the SIPP and the SPD. For these, only very limited postreform data were available in early 2001, nearly five years after the reforms were enacted.

**Table 2**
**National Survey Data for Monitoring and Evaluating Welfare Reform**

| Survey | Manager and Funding Source | Purpose | Dates of Administration | Population Covered |
|---|---|---|---|---|
| The long form of the decennial census | U.S. Bureau of the Census; Federal government | Enumeration of the population; long-form collects additional information | Beginning of each decade; mandatory survey | In 2000, 18 million households |
| The March supplement to the Current Population Survey | U.S. Bureau of the Census and U.S. Dept. of Labor; Federal government | Asks respondents about income received during previous calendar year, including public assistance income | Annual March addition to a voluntary monthly labor force survey | From 1996 on, 50,000 households; sample is imperfectly proportional to state populations |
| The American Community Survey (ACS) | U.S. Bureau of the Census; Federal government | Content similar to decennial census long form but also includes questions on income and public assistance receipt | Under development since 1996; will be fully implemented in 2003 as a continuing, mandatory monthly survey | When fully implemented, will be administered monthly to an annual sample of about 3 million households drawn from all counties |
| The Survey of Income and Program Participation (SIPP) | U.S. Bureau of the Census; Federal government | Detailed information on income, including earnings, public and private transfers, in-kind programs, assets | Monthly and quarterly; voluntary, longitudinal panel survey begun in 1983; households remain in panel for 2–4 years. | Panels have varied in size; current panel is 37,000 households. Successive samples of adults in U.S. population with oversample of poor families |
| The Survey of Program Dynamics (SPD) | U.S. Bureau of the Census; Federal government | To evaluate the effects of 1996 welfare reforms; jobs, income, and program participation data for all over age 15 | Annual, voluntary, longitudinal survey through 2001 | 18,500 households in 1998, all originally participants in 1992–93 SIPP panels |
| The National Survey of America's Families (NSAF) | Urban Institute; private funding | To analyze devolution of welfare policy and program responsibility to the states; collects data on adult and child well-being, program participation | Voluntary survey; data collected 1997, 1999, and planned for 2002 | Families with children under age 18 in 13 states where case studies will also be conducted, plus a representative national sample |
| The National Longitudinal Survey of Youth (NLSY) | National Opinion Research Center; U.S. Department of Labor and National Institute for Child Health and Human Development | Life-event data: employment, marital status, program participation | Begun in 1979 with a nationally representative sample of 14–22 year olds; annual survey 1979–94, biennial from 1996 | Two main cohorts: 1979 cohort and a new cohort of 9,000 youth aged 12–16 in December 1996 |
| The Panel Study of Income Dynamics (PSID) | University of Michigan Institute for Social Research; NSF and several federal government agencies | Dynamic aspects of economic and demographic behavior; includes questions on program participation | Voluntary, cross-sectional and longitudinal survey begun in 1968. Annual interviews 1968–96, biennial thereafter | Began with national sample of 4,800 families; was 6,434 families in 1999. |

Note: These are discussed in Appendix D of the Report.

Some monitoring and evaluation questions require nationally representative longitudinal data to capture the effects of policies on family formation over time, and to separate the effects of policies from differences that may be due to individual characteristics. All of the existing longitudinal surveys either have too short a time frame for such analysis (SIPP, SPD) or are not large enough to allow for precise estimates of outcomes for subpopulations in which we are most interested (NLSY, PSID).

To improve the ability of national-level survey data sets to measure the effects of changes in broad welfare program components across states, the panel recommended expansions or supplements to the CPS or other surveys. It urged that sufficient funds be devoted to fully implement and maintain the ACS at its currently proposed sample sizes.

### State and local surveys

The demand for state and local surveys has grown as states now have more of a vested interest in monitoring and evaluating programs that they design and control. However, these surveys face many of the same problems of population coverage, nonresponse, timeliness, and measurement error as do the national surveys.

Most such surveys of the welfare populations so far have limited their sample to program participants or former participants, and their findings cannot be extended to the low-income population as a whole. Very little information has been collected about formally and informally diverted populations. Many early studies of leavers also had low response rates—not surprising, given that the surveys were attempting to reach a very mobile population.

State and local surveys are able to collect more detailed information than national surveys about their own populations and programs, and to match that information to state administrative data. But state governments are handicapped by their relative lack of experience in conducting surveys and by limited resources for enterprises that are very expensive, even at the local level. ASPE has recognized these problems and has been helping some states, mostly those conducting studies of people who leave or are diverted from welfare, to develop their capacity to conduct or manage surveys. Some states have more experience than others, and mechanisms for fostering interstate communication should be developed.

### Administrative data

Information collected as part of the administration of programs or services is a crucial source for monitoring and evaluating welfare programs. Most such data are collected locally, but are linked and maintained by the states. For some programs—TANF and child support enforcement among them—states must provide administrative data to the federal government. Data from child protective services, foster care, Medicaid, and Food Stamps are all useful sources for evaluating social welfare programs. Administrative data have been linked with UI wage records to track the status of families that leave welfare, and are being used to assess and improve survey data collection for welfare programs. Other efforts to link administrative data on households, business firms, and government entities to employer and household surveys from the Census Bureau are underway.

Administrative data generally have much larger sample sizes than surveys and are fairly up to date, because they are required for administrative decision-making. They are a relatively inexpensive source of information for monitoring program participants, and provide more reliable data about benefits received than are people's answers to retrospective survey questions.

These data, however, have many shortcomings. They typically include only the information on an individual or family necessary to establish eligibility and benefits, and are missing more general demographic characteristics, information on other household members, indications of health or transportation problems, or child care obstacles, to name only a few. In general, data that are not crucial to administering benefits may be of much lower quality than data that are essential.

Furthermore, administrative data are often not readily available for research purposes. For reasons of confidentiality, agencies are often reluctant to share data with other agencies in the same state, let alone to allow researchers or administrators in other states access. Once access is obtained, checking datasets for errors and linking them with other administrative or survey data may be a complex and lengthy procedure, for quality and content are quite uneven within and across states.

Despite the challenges, these data are a vital component of monitoring and evaluation, both in general and for state officials who now have greater control over and therefore more interest in evaluating their own welfare programs. But full exploitation of the possibilities of administrative data will require the active involvement of the federal government to provide technical assistance—preservation of data over time, improvements in quality and comparability, or balancing confidentiality and access, for example—and to invest in developing common definitions and data formats.

### Program description data

It seems obvious that evaluation of the effects of welfare reform must rely on fairly detailed descriptions of the policies and programs adopted by states and local agencies; programs cannot be compared if the rules are not known. Yet good descriptive data on postreform programs have been slow in coming.

*Recommendation: [The panel recommends that] an organizational entity be identified or created within the U.S. Department of Health and Human Services, and that this entity be assigned direct administrative responsibility and authority for carrying out statistical functions and data collection in the area of social welfare programs and the populations they serve. The entity would also coordinate data collection and analysis activities between states and the federal government.* [*Evaluating Welfare Reform*, p. 156]

States are required to provide the federal government with summaries of their TANF programs every two years in order to receive block grants. States have been given general guidance on what to report, but no specific requirements; as a consequence both the programs reported and the level of detail vary greatly from state to state. Such data were first collected in 1997, and again in 1999, but they are not yet publicly accessible.

The most comprehensive effort so far to document state policies and practices since 1996 has been the Urban Institute project, Assessing the New Federalism, funded by the Annie E. Casey Foundation. Several other projects supported by private organizations and federal agencies do not collect information on a regular basis and do not cover the entire time since 1996. In many states, policies and their implementation have been works in progress. None of the projects, including that of the Urban Institute, collects detailed, continuing information on how programs are actually being implemented in all the states.

The panel recommended that DHHS take active and direct responsibility for documenting and publishing welfare program rules in every state and substate area where needed, and that they should also document changes in these rules.

### Qualitative data

The goal in collecting qualitative data is generally to provide detailed and sometimes subjective information on individuals and groups that is not easily acquired from survey or administrative data. The open-ended questions typical of qualitative data collection provide deeper insight into individual outcomes. They can also be used to improve the direction and precision of fixed survey questions that are, for example, targeting populations typically hard to interview, such as the homeless.

Although the value of qualitative and ethnographic data in evaluation settings is becoming more apparent, there are some limitations. Replication of results is rare, and sampling and data collection are rarely coordinated among studies and across multiple locations. Study methodologies are often inadequately documented. Studies are not always designed to statistically represent a population of interest and because these studies are expensive to conduct, even representative samples are often too small for precise statistical analysis. Qualitative data are often most effective when nested within a larger survey or a study using administrative records to complement the information collected from quantitative data. Even there, the expense of conducting such studies has been a serious barrier.

## Conclusions

Each of these data sources has limitations that contribute to overall weaknesses in the nation's data infrastructure for welfare program monitoring and evaluation. The panel concluded that at least some of the weaknesses in the current data infrastructure exist because no agency within DHHS has distinct administrative authority and responsibility for collecting and developing data relevant to social welfare and human services policies and programs.

As a start, the panel recommended that ASPE, in its annual report to Congress, should review survey and administrative data at federal and state levels, identify the strengths and weaknesses of existing data, note gaps that need to be filled, and assess priorities for filling those gaps, so that resources can be effectively allocated.

Beyond this, the panel strongly advocated that DHHS assign responsibility for developing social welfare and poverty data and for other statistical functions to an existing or new independent agency that is separate from other program and policy agencies within the department. Other government departments have done so—for example, the Department of Labor has the Bureau of Labor Statistics, the Centers for Disease Control and Prevention have the National Center for Health Statistics, and the Department of Justice has the Bureau of Justice Statistics. The panel did not offer a blueprint for the agency, but it specified that its responsibilities should include national surveys, administrative data, technical assistance, reports, and a data archive.

If welfare programs continue to be operated within a devolved system, the need for such an agency can only grow. But actually building the kind of data infrastructure needed for monitoring and evaluating welfare programs will take a sustained effort and strong leadership from federal and state governments alike. ■

# The private food assistance network

Privately sponsored "emergency" programs are becoming an integral component of the food assistance network in virtually every U.S. community. In 1997, the private food assistance network had an estimated value of over $2.3 billion and provided food to about 20 million people. Although it is still very much smaller than the largest public food assistance program, Food Stamps, it has clearly become an important supplemental system.[1] This article describes how it works and whom it serves, and examines some interactions with public food assistance programs.

Until the 1980s, most emergency food relief programs were set up as temporary measures in times of economic hardship. Once the crisis abated, they closed their doors until the next economic downturn. This cyclical trend appears to have changed.

The private food assistance network in its present form emerged from the convergence of two forces, one public, one private. The public initiative was the establishment in 1983 of the Temporary Emergency Food Assistance Program (TEFAP), a commodities distribution program in the U.S. Department of Agriculture.[2] The private initiative was the formation of an entirely new kind of private food assistance network, Second Harvest. Together they provided food banks and pantries, for the first time, with a steady stream of revenue and food from public and private sources.[3]

## The Emergency Food Assistance Program

In its origin, TEFAP, like the Food Stamp program, reflected dual policy goals reaching back to experiments with food assistance during the Great Depression: helping farmers and ending hunger among needy families. Depending upon political and economic circumstances, now one, now the other has predominated in federal policy.

The initial impulse underlying TEFAP was to ameliorate food insecurity in a way more acceptable to government and to many public critics than the Food Stamp program, which was in disfavor under the Reagan administration. The willingness of the administration to implement TEFAP was grounded in the recession of the early 1980s and in the existence a large surplus of perishable commodities such as cheese. The program was originally authorized for two years; the federal government paid processing, packaging, and delivery costs and a large proportion of state agency expenses, and much of the food was to be distributed by the states through private food banks and food pantries, in line with the conservative emphasis on private initiatives.

Increased supply was matched by increased demand for free food. One factor was the structural unemployment of the early 1980s, which created a group of newly poor. Substantial cutbacks and other changes in the Food Stamp program also contributed. After the program was revised in 1977, food stamp allotments were no longer intended to last a full month, and this may have increased chronic reliance on food pantries among the poorest.[4] Word of mouth alone created long lines at the pantries, which were not allowed to advertise. In the first few years of TEFAP, over 2.1 billion pounds of surplus foods—primarily dairy products but also wheat flour, cornmeal, and honey—were distributed and as many as 19 million people received assistance each month.

In 1987, TEFAP was expanded to include a wider range of surplus foods and in 1988, the Emergency Hunger Prevention Act authorized the purchase of food to be distributed in addition to surplus commodities. Despite some vicissitudes in funding, it has been regularly renewed by Congress, and in 1990 the word "temporary" was removed from its name.

The provision of funds for purchase in essence rebalanced TEFAP's priorities from price stabilization for farmers toward food assistance for the poor. Using public funds to purchase commodities for distribution also represented a shift away from the approach embedded in the Food Stamp program, which provided assistance in the form of an earmarked income transfer. Anxiety about fraud had dogged the Food Stamp program almost from the beginning, but it was a point of emphasis during the Reagan administration. Distributing commodities through private charities was seen as a more direct way to get the food to the poor, and less subject to fraud.

TEFAP pleased farmers, by providing for price stability; it appeased antihunger activists and organizations, who had strongly criticized Reagan administration cutbacks in food assistance, because it appeared to reach the needy; and it pleased the food industry, which, in addition to donating food out of goodwill, found that it could

This article is based upon two recent IRP discussion papers: Beth Osborne Daponte and Shannon Lee Bade, "The Evolution, Cost, and Operation of the Private Food Assistance Network," IRP DP 1211-00 (2000), and Ann Nichols-Casebolt and Patricia McGrath Morris, "Making Ends Meet: Private Food Assistance and the Working Poor," IRP DP 1222-01 (2001).

use the network to dispose of food for which it might otherwise have had to pay salvage costs.

The new policy institutionalized the private food distribution network. Before TEFAP, food pantries relied mostly on unpredictable donations of food and money from individuals and businesses. TEFAP goods represented a dramatic increase in their responsibilities and provided a regular and substantial supply of nutritious food. TEFAP funding also provided reliable budgets for administration, storage, and distribution.

## Getting private donors involved: Second Harvest

The second precipitating element in the growth of the private food assistance network was the formation of a nonprofit organization that provides both a relatively easy way for potential donors of large quantities of food (e.g., the food industry) to give to the private network and an efficient and equitable means for distributing these goods nationwide. This organization is Second Harvest, which began in the 1970s as a small network of food banks based in the Southwest. It is now a network of 185 member food banks (95 percent of U.S. food banks), with some 34,000 affiliated food pantries. In 1998, Second Harvest, with a budget of over $9 million, managed the distribution of 260 million pounds of food.

Second Harvest has no warehouses and never handles food directly. It acts as a liaison between the food industry and the assistance network, soliciting donations from food companies, farmers, and agricultural cooperatives—half a truckload of cereal, two truckloads of apples—and then offering the food to food banks. By certifying that member food banks meet a clear set of standards, it gives potential donors confidence that the food and paperwork will be properly handled and that the act of donation will be trouble-free.

To determine how to allocate food on any given day, Second Harvest maintains a computerized ranking of food banks according to the amount they have already received and the number of people in poverty in their area. It also considers the nearness of the food bank to a particular donor. When a donation is pledged, it is systematically offered to food banks, starting at the top of the list. The food bank has two hours to respond; if it is not interested, the next on the list is queried. Food is not transported to a central location, but goes directly from the donor to the food bank, which usually arranges its own transportation. Second Harvest has, however, developed an ancillary program, Relief Fleet, which allows trucking companies to donate transportation on empty freight runs.

## The food assistance network at the street level: Food pantries

In 1997, Second Harvest sponsored a large national survey of food banks, food pantries, and food pantry clients.[3] Almost three-quarters of food pantries were church-affiliated; 23 percent were private nonprofit agencies. Very few had a long history: about three-quarters had been formed after 1981, a third were less than 6 years old.

Most pantries operated on a shoestring—60 percent had incomes of less than $5,000, another 13 percent between $5,000 and $10,000. On average, they had one or two paid staffers and relied heavily on volunteers to assist with operations and food distribution. It is hardly surprising that 18 percent of pantries viewed themselves as threatened or unstable, half because of funding difficulties, almost a quarter because of lack of volunteers.

Food pantries obtained over 60 percent of their food from food banks. The remainder came from food purchases (13 percent), churches (13 percent), government (3 percent), merchants and farmers (4 percent), and other sources (5 percent). In 1997, food pantries distributed about 960.5 million pounds of food, over a quarter of it provided through Second Harvest. Pantries affiliated with Second Harvest served over 19 million persons at least once in that year. Each pantry provided food, on average, to 1,507 individuals living in 545 households.

## Who uses private food assistance?

Pantry administrators tend to regard their assistance as emergency aid. But the Second Harvest interviews make it clear that for most clients, using a food pantry is chronic and long-term; 60 percent of those interviewed had been using the pantry for more than a year.

Asked why they had sought aid (respondents could give more than one reason), over half of clients cited recent unemployment, 35 percent long-term unemployment. Other reasons included an illness (23 percent), high fixed expenses (22 percent), and not enough food stamps to last the month (13 percent). Only one-third cited a temporary emergency, even though the system is predicated upon emergency use.

Nationally, about 22 percent of pantry users were disabled, 12 percent retired. One-third of those relying on food pantries were children under 18, and over half of the households with children were headed by single parents. The annual household income of food pantry clients was low: two-thirds had an annual income of less than $10,000.

In all, about a third of food pantry clients were also receiving food from other sources, such as senior nutrition sites or school programs; 19 percent used more than one pantry, a practice generally frowned upon by the pantries.

### Working poor families and the food pantries

A significant percentage of users of private food assistance appear to be working poor families. Nearly 60 percent of those interviewed by Second Harvest said that they were working, but needed more money. About half of these claimed to be working full time.

A picture of these families emerges from a study of the users of Virginia food pantries and soup kitchens.[6] Over one-third of participating households had at least one employed member. About 70 percent of those who were currently or recently employed worked at least 20 hours a week. Longer-term unemployed—those in which no household member had worked in the last six months—constituted 30 percent of the food pantry users. Of these, almost a third cited health as a barrier to employment.

Most users had characteristics that, over the long term, would make it difficult for them to earn enough to support themselves and their families. Most were women, many of them single parents. Nearly half had less than a high school education, and more than half earned less than $6.50 an hour. At some time in the last six months, about 10 percent of households in which one or even two adults were working had been homeless, around 20 percent had phone service cut off, and about 11 percent had heat or electricity cut off. Nearly 40 percent of families in which one adult was working or recently unemployed had skipped meals.

### The interaction of public and private food assistance

Many food pantry clients surveyed by Second Harvest appeared to be slipping through or not adequately served by the public safety net, whose cornerstone programs are Food Stamps, the Supplemental Nutrition Program for Women, Infants, and Children (WIC), and the School Lunch and Breakfast programs. Among the children in the Second Harvest study, 65 percent were participating in the school breakfast and lunch programs, and 31 percent of age-eligible households were participating in WIC. In the Virginia study, around 10 percent of all clients, whether employed, short-term unemployed, or long-term unemployed, had recently had trouble with public benefits, having lost Medicaid, cash welfare benefits, or food stamps.

Nearly 60 percent of pantry clients in the Second Harvest survey were not receiving food stamps—indeed, almost 40 percent had never even applied. Fewer than one-third in the Virginia study were currently receiving food stamps; about half of those who had recently stopped receiving stamps had become ineligible because they had found work or their income improved, but over 18 percent had not returned for recertification or felt that the benefits were too small to "put up with the hassle."

Nationally, participation in Food Stamps, the largest program, has declined substantially.[7] The decline began before the 1996 passage of welfare reform legislation tightened eligibility standards and reduced the value of the benefit, but accelerated thereafter. Even as early as 1994, just over half of eligible households in which someone was working appeared to be participating. Much of the decline has occurred among families with incomes below 130 percent of the poverty line. Almost one-third of families at these income levels have been measured as "food insecure"—that is, they do not always or reliably have enough food to feed all family members and are uncertain about whether they will have household resources adequate to acquire enough food to meet their family's needs.

It seems likely that many are discouraged from applying for food stamps because they lack reliable information about the rules and are daunted by the administrative complexity of the program.[8] Such individuals may be using private food networks as an alternative to the challenges of Food Stamp application and recertification. Others are using these networks to supplement food stamp allotments. Among poor families in an Allegheny County, Pennsylvania, study, 23 percent used both food stamps and private food pantries.

## Operation of the private food assistance network

There is much local variation in the way food banks and pantries operate and in how effectively they can respond to need. Some of this is due to political and economic circumstances, some to different state governmental structures. These problems have lessened as the private food network has matured and expanded, but local conditions can strain the resources of small organizations. For example, the closing of three factories in northeastern Connecticut in the 1990s created demand for services that local food pantries were unable to meet. The distribution of federal food aid generally depends on the existence of an effective, local, volunteer-based organization willing to administer the program. Poor people living in urban areas with a large number of charitable resources have a much greater chance of being helped than equally poor people living in rural areas.

The variability becomes clear from a comparison of two major Eastern U.S. food banks, the Connecticut Food Bank (CFB) and the Greater Pittsburgh Community Food Bank (GPCFB), in Pennsylvania.[9] Both began during the early 1980s, and both are now affiliated with Second Harvest. In each service area, about the same number of people are below the poverty line, but the food banks are

very different in the size, scope, and intensity of their activities.

In 1996, the CFB distributed 3.5 million pounds of food in six of Connecticut's eight counties to 450 member agencies—soup kitchens, day care and senior citizen centers, emergency shelters, and food pantries. It employed 18 full-time-equivalent staff members; in 1995–96, volunteer workers donated about 3,100 hours to help with operations. In 1997, the GPCFB distributed over 13 million pounds of food in 12 counties in western Pennsylvania through 350 member agencies, 265 of them food pantries. With 45 full-time-equivalent staff members, it has the fourth largest staff of all Second Harvest food banks. In 1997, volunteers donated over 40,000 hours.

Differences in the two states are also important. For example, Pennsylvania provides the GPCFB with twice as much money as Connecticut provides the CFB for the purchase of food. Connecticut does not have county government, but Pennsylvania does. So, in Pennsylvania, food assistance and many other programs are administered from the state to the county level and finally to a charitable organization. In Allegheny County, the primary TEFAP contractor, for historical reasons, is the Lutheran Services Society, which subcontracts with seven food banks, including the GPCFB, to distribute food to local pantries.

In Connecticut, all government food assistance programs are administered by the state and distributed directly to each municipality or to the nearest charitable organization or human service agency. The state Department of Social Services contracts directly with the CFB. The state does not monitor the pantries, soup kitchens, and other agencies that actually distribute food.

These examples point to a general characteristic of the food assistance network. One source of its variability is the flexible rules of the TEFAP program itself. The federal government does not spell out exactly what administrative structures or eligibility criteria should be used. When the program was established, federal administrators felt that stringent eligibility requirements were not necessary or cost effective (the typical distribution to a household was then worth less than $15). Moreover, then and thereafter, food banks and pantries strenuously resisted such record-keeping, both because of the burden on small, largely volunteer organizations and because they felt that collecting such data would be intrusive and inconsistent with their mission. Thus monitoring of clients and agencies is minimal—to be eligible for TEFAP, food pantries generally have clients sign a form in which they self-report that their income is less than 150 percent of poverty.

This simplicity and flexibility stand in sharp contrast with the reporting requirements of the Food Stamp program, which are notoriously extensive and complex, requiring pay stubs, cancelled rent checks, utility bills, etc. TEFAP appears likely to pose a greater risk of noncompliance and inefficiencies in its procedures.

## Conclusions

Private food networks have now become an integral part of the nation's food assistance program. Even if the public food assistance programs were easier to access, the very existence of a substantial, reliable source of free food is likely to generate steady demand among poor families with many pressing claims on their limited resources. But beyond that, soup kitchens and food pantries are providing critical assistance to the working poor and the chronically unemployed throughout the United States.

The increases in the use of "emergency" food assistance sites, the persistence of food insecurity and hunger in the United States, and the prospect that these programs may be supplementing the Food Stamp program among an increasing proportion of the poor raise serious questions of equity and social justice. Treating problems as "emergencies" may seem to be a less costly approach for government than establishing policies and programs to guarantee adequate income and services for individuals. But defining hunger as an individual, short-term problem that can be solved through expansion of voluntary emergency programs may divert attention from the underlying problems of unstable employment and inadequate income, and from the government's role in assuring a safety net for vulnerable families. ■

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[1]In FY1997 the Food Stamp budget was $21.5 billion and nearly 23 million people were participants. U.S. Department of Agriculture, Food and Nutrition Service, Food Stamp Program Data. <http://www.fns.usda.gov/pd/fspmain.htm>. The private network data refer to the Second Harvest network, which constitutes about 95 percent of the entire network. Food pantry users likely received a much smaller portion of their monthly food needs than is provided to participants in the Food Stamp program.

[2]The legislation establishing this program was sponsored by Rep. Leon Panetta (D-CA).

[3]Food banks act as middlemen, providing food to food pantries, which distribute food for consumption at home, and to soup kitchens, which serve food on site. Food banks may also provide food to senior centers and other organizations that serve meals.

[4]Under the 1964 act establishing the Food Stamp program, participants had to purchase food stamps; this purchase requirement was heavily criticized on the ground that the very poorest families were simply unable to make the copayment and meet other obligations, such as rent. Counties that switched from commodities distribution to food stamps as their primary means of food assistance found that overall participation in such programs dropped. The purchase requirement was ended in 1977.

[5]*Hunger 1997: The Faces and Facts* (Chicago: Second Harvest, 1998), reported information drawn from 79 of its member food banks and 25,319 agencies operating food programs; 27,771 clients of emergency food programs were interviewed. Two large national surveys of the

## Call for Papers

## IRP/ERS Conference on Income Volatility and Implications for Food Assistance Programs

The Institute for Research on Poverty and the Economic Research Service, U.S. Department of Agriculture, will sponsor a research conference to be held in Washington, DC, on May 2–3, 2002. The purpose is to present the latest research on the effects of income volatility on participation in food assistance programs. Eight to ten papers will be presented, and it is anticipated that selected conference papers will appear in a conference volume. The conference organizers are John Karl Scholz and James Ziliak on behalf of IRP and Dean Jolliffe and Craig Gundersen on behalf of ERS.

A goal of means testing is to maximize the coverage of benefits to eligible recipients while minimizing the leakage of benefits to those not in the targeted group. As eligibility requirements become more precisely defined or strictly enforced, leakage is reduced but administrative costs and participant burden increase. For programs requiring a large amount of documentation, some eligible recipients may decide that the costs associated with benefit receipt are too high. These trade-offs are present in all means-tested transfer programs. The focus of the conference is on how income volatility affects these trade-offs for domestic food assistance programs. The specific interest is in research on income volatility and the movement in and out of program eligibility, the decision to participate, compliance over time, and program costs.

Emphasis will be placed on food assistance programs, but papers dealing with other income transfer programs, domestic or international, are of potential interest, as are papers dealing with multiple-program interactions or methodological issues related to income measurement. Preference will be given to papers that are empirical in focus, although research with an applied theoretical emphasis is also welcome. Papers will be selected on the basis of an abstract of 500–700 words or a completed manuscript. The title of the proposed research, applicant's name(s), institutional affiliation, and full address and contact information should be included. Deadline for submission is August 31, 2001, and authors of accepted papers will be notified by September 28, 2001. IRP will cover travel and local expenses for authors presenting papers, and anticipates providing a small honorarium. Send papers and abstracts as e-mail attachments or by hard copy to Elizabeth Evanson, IRP, 3412 Social Science Building, 1180 Observatory Drive, Madison WI 53706; evanson@ssc.wisc.edu.

*Private Food Assistance Network: Notes, continued*

emergency food assistance network, one by Second Harvest and another by the U.S. Department of Agriculture, are now (May 2001) in the field.

[6]Details in this section are drawn from Nichols-Casebolt and Morris, "Making Ends Meet."

[7]Food Stamp participation rates dropped by about 11 percentage points between September 1994 and September 1998. In September 1998, about 59 percent of eligible people in the United States used food stamps (A. Schirm, *State Food Stamp Participation Rates in 1998*, Food and Nutrition Research Report, U.S. Department of Agriculture <http://www.fns.usda.gov/oane/MENU/published/FSP/participation.htm >).

[8]See, e.g., Peter Eisinger, "Food Pantries and Welfare Reform: Estimating the Effect," *Focus* 20, no. 3 (Fall 1999): 23–30. On the issue of food stamp takeup, see B. Daponte, S. Sanders, and L. Taylor, "Why Do Low-Income Households *Not* Use Food Stamps? Evidence from an Experiment," *Journal of Human Resources* 34, no. 3 (Summer 1999): 612–28. The Allegheny County study is reported in B. Daponte, "Private versus Public Relief: Utilization of Food Pantries versus Food Stamps among Poor Households in Allegheny County, Pennsylvania," IRP Discussion Paper 1091-96, University of Wisconsin–Madison, 1996.

[9]The operations of both these agencies are discussed in detail in Daponte and Bade, "Private Food Assistance Network," pp. 44–70.

# Medical spending, health insurance, and the measurement of American poverty

Gary Burtless and Sarah Siegel

Gary Burtless is a Senior Fellow at the Brookings Institution and an IRP associate; Sarah Siegel was a research assistant at the Brookings Institution when this research was performed and is now a graduate student at MIT.

In measuring poverty in the United States, perhaps the most vexing question is how to account for the cost of health care.[1] Since the current poverty measure was developed in the 1960s, patterns of medical care use and payment have changed significantly and resources devoted to health care have risen steeply. In 1960 medical spending accounted for just 5 percent of national income; by 1999 it constituted 13 percent. But relatively little of this increase was financed directly out of household budgets (these are generally referred to as "out-of-pocket" payments). Over those decades the fraction of health spending paid out of public budgets more than doubled and that financed through third-party private health insurers rose almost 60 percent. Actual out-of-pocket payments by households to purchase health services fell from 55 percent of health care expenditure to 18 percent.[2] The share of family expenditures devoted to health care consumption actually fell slightly between 1960 and 1999.[3]

The way in which the government measures poverty takes no explicit account of consumer medical spending or of the subsidized health insurance that families receive through their employment or through government programs. Many observers believe that it should do so, but are divided on how exactly that can be accomplished. Neither social scientists nor policymakers have defined a basic set of health care "necessities" as opposed to less essential health care "luxuries." A particular medical procedure, for example, may save one person's life, greatly ease pain for another, and be harmful to a third person.

How we define necessary medical care significantly affects our perception of which groups are vulnerable to poverty, and that perception shapes our decisions about how government resources should be distributed, with clear political implications. It seems probable that if poverty measurement were to take household medical expenditures into account, the poverty rates of the aged and disabled—heavy spenders on medical care—would rise. If the consumer value of subsidized health insurance were to be included in income without any change in the poverty thresholds, poverty rates would fall. These effects on the overall poverty rate and on the relative incidence of poverty in different population groups have the potential to arouse intense political debate. Poverty measurement inspires political controversy because the programs that are directly and indirectly affected by poverty measures are themselves highly controversial.

Our research tries to expand understanding of the impact of medical spending by comparing alternative methods of including such spending in the definition and measurement of poverty. We compare the method of including health care outlays embodied in the official poverty statistics with two other approaches. These are based, directly or indirectly, on the recommendations of the 1995 report of the National Academy of Sciences (NAS) Panel on Poverty and Family Assistance, *Measuring Poverty*.[4]

The NAS panel comprehensively evaluated the official poverty measure, describing its flaws and suggesting methods for reducing or eliminating them. The panel recommended that the official poverty thresholds, which have never been updated to reflect the changing patterns and levels of consumption by American households, should be revised to reflect spending patterns observed in household surveys and then updated every year to reflect society-wide trends in consumption. In addition, the panel recommended that family resources be redefined to include money income from all sources and the value of near-money income such as food stamps. Finally, the panel urged that certain expenses be subtracted from resources, among them a family's out-of-pocket medical costs and spending on health insurance premiums.

Many of the NAS panel's recommendations enjoy wide support among poverty specialists, but those regarding health insurance and medical expenses have not won broad acceptance.

## Should health care costs be counted in measuring poverty?

To measure poverty, we must compare some index of household well-being or economic resources with household needs. When command over economic resources falls short of needs, a person or a family is classified as poor. Most Americans would surely include adequate medical care within the core set of basic needs. The architects of the original poverty thresholds and members of the NAS panel might well have agreed on this point, but they chose very different approaches to recognizing medical care expenditures.

The original poverty thresholds were based on the cost of a minimally adequate diet multiplied by a factor of three, considered to be large enough to cover other family needs. Under the official thresholds, some portion of the poverty budget is implicitly set aside for each basic need, with perhaps 7 percent of it set aside for medical spending. This approach made sense when most families paid for almost all their consumption with cash income; it makes less sense when a large fraction of household consumption is financed with in-kind transfers and third-party insurance payments.

The NAS panel's short list of consumer necessities included clothing, shelter, and food. The panel explicitly recognized the importance of in-kind (near-cash) transfers such as food stamps, but did not think that third-party payments for medical care or the insurance value of a health plan could be treated the same way. The panel offered two reasons for its conclusion. First, food stamps, unlike health insurance, directly help to pay for necessary consumption, freeing up part of the household's income to be spent on other basic necessities. Second, households of the same size and composition have similar food requirements but widely varying requirements for medical care. For example, a free insurance policy that has an average value of $6,000 a year may be worth only about $500 to a young, healthy couple. If the young family has only $10,000 in net income aside from the health insurance plan, the way we count the plan as part of their household resources determines whether or not they are classified as poor.

The U.S. Census Bureau, which produces the annual poverty statistics, has tried to resolve these problems by calculating a cash value for Medicare and Medicaid, although the official poverty statistics still do not reflect the cash value of these insurance plans. The NAS panel chose not to place a cash value on the insurance subsidy. Instead, it proposed subtracting actual household spending on medical care from other family resources. Thus medical spending, although not explicitly recognized in the poverty thresholds, was given special priority over spending on other forms of consumption.

There are a number of criticisms of this approach. First, the procedure may treat two families as equally poor if each has an income of, say, $10,000, but one has a free insurance policy and the other does not. This would be the case if the two families spent the same amount—say, $500 in a year—on medical care. Second, out-of-pocket health care expenses provide no clear indication of the adequacy of health care available to families or of the appropriateness of the care they receive. Some uninsured low-income households may spend little on doctors and medicine because they cannot afford to pay for adequate care. Despite their constrained circumstances, the NAS panel's definition may classify them as "not poor." Other households with equivalent income that spend more lavishly on discretionary medical services could be classified as "poor" when their out-of-pocket costs are subtracted from their resources.

This example points to a serious problem with the NAS definition: different groups in the population have different patterns of use and spend widely differing amounts on medical care, even if we take into account their net incomes and insurance coverage.[5] Over time, the systematically greater spending of the higher spenders will almost certainly translate into systematically faster improvements in their health. Under the proposed NAS poverty measure, it will also translate into a relative increase in their poverty rate.

Consider, for example, the elderly population. In 1999, 12 percent of expenditures among families headed by someone over 65 was devoted to medical care. This is more than three times the percentage spent on health care by families headed by someone under 55. Under the official definition, the poverty rate of the elderly fell from 13.8 to 11.7 percent between 1983 and 1994, whereas the overall poverty rate fell only from 15.2 to 14.6 percent. If, however, we use the more comprehensive definition of resources suggested by the NAS panel and subtract medical spending from family resources, the poverty rate of the aged *increased* from 1983 to 1994, although the poverty rate in the total population still fell.[6]

There is evidence that the increases in out-of-pocket medical spending by the elderly (and the far larger increases in third-party expenditures on their behalf) produced tangible benefits. For instance, mortality statistics suggest that older Americans enjoyed relatively rapid gains in life span during the time that their out-of-pocket expenses were rising.[7] If these spending increases produced faster gains in the well-being of the low-income elderly than were enjoyed by younger low-income Americans, a poverty measure showing that destitution among the elderly had grown worse might well meet with skepticism.

In our analysis, we take another approach to medical spending: we generate estimates of "reasonable" medical spending for particular groups in the population and add these estimates to the poverty thresholds proposed by the NAS, rather than subtracting actual spending amounts from household resources. A basic presumption of this approach is that spending on medical care should be treated as a necessity, just like food, clothing, and housing, in constructing the poverty thresholds.

## Estimating "reasonable" health care spending

How much medical spending should reasonably be considered necessary? We begin with some health care cost estimates by the U.S. Census Bureau, which has been studying alternative poverty measures. Because the data source used to estimate the official poverty rate, the

Table 1
Upper- and Lower-Bound Estimates of "Reasonable" Medical Spending for Selected Types of Families, 1998

| Insurance Status of Family Members | Family with Four or More Members Headed by Person under 65[a] | Family with Two Members Headed by Person Aged 65 or Older[a] |
|---|---|---|
| *Upper-bound estimate of "reasonable" out-of-pocket spending* | | |
| All family members are insured, none are insured by Medicaid | $3,518 | $4,421 |
| All family members are insured, some or all are insured by Medicaid | $1,903 | $1,230 |
| Some or all family members are *uninsured* | $7,104 | $5,011 |
| *Lower-bound estimate of "reasonable" out-of-pocket spending* | | |
| All family members are insured, none are insured by Medicaid | $3,357 | $3,916 |
| All family members are insured, some or all are insured by Medicaid | $1,686 | $1,110 |
| Some or all family members are uninsured, but some or all are *eligible* for Medicaid | $1,686 | $1,110 |
| Some or all family members are uninsured, none are eligible for Medicaid | $3,357 | $3,916 |

Source: Authors' calculations using NMES and March CPS files.

[a]At least one family member has health described as only "fair" or "poor."

March supplement to the Current Population Survey (CPS), contains no questions concerning family medical spending and very limited information about health insurance coverage, the Census Bureau has imputed medical expenditure amounts for families and individuals surveyed in the CPS from another data source, the 1987 National Medical Expenditure Survey (NMES). NMES contains information on family medical spending and health insurance, in addition to income and individual demographic data that are comparable to data for families in the CPS.[8]

The Census Bureau's implementation of the NAS panel's proposal imputes actual amounts spent on medical care to each household. Their estimates reflect the full distribution of health expenditures observed in the NMES sample. But annual medical spending is very unequal, as NMES data show. First, some families have very much higher health care outlays than other families with otherwise identical characteristics. For example, among families without an elderly member, the top 5 percent of spenders account for 22 percent of all medical spending; among elderly individuals who are in "fair" or "poor" health, the top 5 percent of spenders account for 35 percent of spending. Second, family out-of-pocket medical spending among low-income families is actually quite high, amounting to 61 percent of average out-of-pocket expenditure among all people, poor and nonpoor. Yet only 43 percent of people officially classified as poor are insured by Medicaid and another 25 percent are insured under some other plan, suggesting that many uninsured and poorly insured low-income families face large out-of-pocket medical bills.

To calculate an average amount of "reasonable" medical spending for a particular class of family, we restricted our population sample to NMES families that we judged to be neither rich enough to spend on unnecessary or excessively expensive care, nor too poor to purchase the health care that they needed.[9] We then calculated average out-of-pocket expenditures for different classes of families, grouping them according to four characteristics which are likely to affect health care spending: the age of the household head, the number of family members, their health, and their health insurance status. We then derived at a set of upper- and lower-bound values for "reasonable" health care expenditures for families in different circumstances. The gap between upper- and lower-bound values is particularly large in the case of families which lack medical insurance but which appear to be eligible for Medicaid, which provides free and comprehensive insurance to eligible, low-income families. Under the assumption that these families would be eligible for Medicaid if they applied, our (lower-bound) estimate of their "reasonable" out-of-pocket spending is modest. Our (upper-bound) estimate of "reasonable" spending is much higher when we assume these families are not eligible for Medicaid.

Some examples of upper- and lower-bound estimates of "reasonable" spending are displayed in Table 1. We show estimates for two kinds of families. The column on the left contains estimates for a family containing four or more members, each of whom is under 65; the column on the right shows estimates for a family containing exactly two members, at least one of whom is 65 or older. In each of the families there is a member whose health is just "fair" or "poor." In the top panel we show our upper-bound estimates of "reasonable" spending; in the lower panel, our lower-bound estimates. The big difference between these estimates is our assessment of the cost of medical outlays for families that contain uninsured mem-

Table 2
Profile of the Poor, 1998, under Alternative Poverty Definitions

| Group or Characteristic | Percentage of Noninstitutionalized Population That Is Poor under: Official Definition (1) | NAS Definition, Ignoring Medical Out-of-Pocket Expenses (2) | NAS Definition, Subtracting Medical Out-of-Pocket Expenses from Family Income (3) | Alternative Definition Adding Fixed Estimate of Medical Expenses to Poverty Threshold (4) |
|---|---|---|---|---|
| All Persons | 12.7 | 12.0 | 16.1 | 16.0 |
| Race and Ethnicity | | | | |
| White non-Hispanic | 8.2 | 7.9 | 11.5 | 11.1 |
| African American | 26.1 | 23.6 | 28.8 | 29.4 |
| Asian or Pacific Islander | 12.5 | 12.8 | 16.3 | 15.8 |
| Hispanic* | 25.6 | 24.0 | 30.0 | 31.0 |
| Age Group | | | | |
| Children under 18 | 18.9 | 17.0 | 21. 2 | 20.7 |
| Adults Aged 18–64 | 10.5 | 10.4 | 13.5 | 13.6 |
| Elderly (65 and older) | 10.5 | 8.9 | 17.7 | 17.9 |
| Family Structure | | | | |
| Married-couple families | 6.2 | 6.0 | 9.3 | 8.9 |
| Female householder, no spouse present | 33.1 | 31.1 | 37.4 | 37.4 |
| Unrelated individuals | 19.9 | 17.4 | 22.9 | 23.9 |
| Metropolitan Residence | | | | |
| Central city | 18.7 | 17.0 | 21.6 | 21.7 |
| Suburban | 8.6 | 8.2 | 11.3 | 11.2 |
| Nonmetropolitan Residence | 14.4 | 14.0 | 19.5 | 19.4 |
| Region | | | | |
| Northeast | 12.3 | 10.7 | 14.6 | 14.2 |
| Midwest | 10.3 | 9.8 | 13.5 | 13.4 |
| South | 13.7 | 13.5 | 17.9 | 18.1 |
| West | 14.0 | 13.0 | 17.1 | 16.8 |
| Head of Family or Spouse Works | | | | |
| Yes | 8.7 | 8.6 | 11.9 | 11.6 |
| No | 31.6 | 28.0 | 35.9 | 36.9 |

Source: U.S. Census Bureau and authors' tabulation of March 1999 CPS file.

*Persons of Hispanic origin may be of any race.

bers. Our upper-bound estimates assume it is very costly for uninsured people to obtain adequate care; our lower-bound estimates assume such care is considerably less expensive, especially for those families that are predicted to be eligible for Medicaid.

## Estimated poverty rates

We calculated poverty rates for families in 1998 using income data from the March CPS file and several different estimates of "reasonable" spending. Table 2 shows poverty rates for selected groups in the population in 1998, using four different definitions: the official definition, two versions of the NAS definition (one in which out-of-pocket medical spending is ignored and another in which it is subtracted from family resources), and a definition in which our lowest estimate of "reasonable" medical spending is added to the NAS-recommended poverty threshold.

However we choose to incorporate medical spending into the measurement of poverty, the immediate effect is to raise poverty rates and change the composition of the poor. If out-of-pocket medical spending is ignored, the poverty rates under the official definition and the NAS panel's definition are fairly close (Table 2, columns 1 and 2). But if out-of-pocket medical expenses are subtracted from household resources (Table 2, column 3), the national poverty rate rises by 3–4 percentage points. The addition of reasonable medical spending to the NAS poverty threshold (column 4) also yields a high poverty rate, about 3–4 percentage points higher than the official poverty definition. If we use higher estimates of "reasonable" medical spending in calculating the poverty thresholds, the poverty rate can be several percentage points

above the estimate produced by the official poverty definition.[10]

The jump in poverty rates occurs because poverty thresholds in all variants of our new definition are substantially higher than the thresholds in the official definition. Even using the lowest estimate of reasonable health spending, the weighted-average poverty threshold in 1998 was 19 percent higher than the official poverty threshold among nonaged families and 44 percent higher than the official threshold for aged families (see Table 3). Yet our new poverty definition, like the NAS definition upon which it is based, includes many more sources of income than the official measure does.

The estimated poverty rate is typically higher when reasonable medical costs are added to the poverty thresholds than when actual medical spending is subtracted from family resources (the NAS proposal). The most important reason for this is that actual spending is unevenly distributed in the population. For example, we estimate that average out-of-pocket medical spending was about $3,400 for a lower-middle-income family of two or three people, headed by someone under 65 and with one member in only fair or poor health. However, the data show that 44 percent of families in this category spent less than half this amount and about 10 percent spent less than $100 on medical care. Thus, compared with the NAS panel's recommended procedure, our alternative approach includes a higher provision for medical spending for a large majority of families.

The NAS panel believed that the new poverty thresholds should provide enough resources to pay for at least 90 percent of median consumer spending on food, clothing, and housing. Our alternative approach includes an extra provision for "reasonable" medical spending. Even if we use our lower-bound estimates of "reasonable" spending and the NAS panel's lower-bound thresholds for spending on food, clothing, and shelter, our alternative method yields a higher estimate of the poverty rate than the official poverty measure. To produce a poverty rate that is equal to the rate produced by the official measure, we would have to reduce the NAS allowance for food, clothing, and shelter by 6 percentage points, to 84 percent of median consumer spending. Is a poverty threshold that cuts back so much on spending for these necessities but specifically includes a medical spending allowance too parsimonious? One's answer depends on philosophical rather than purely economic considerations.

Including an estimate of necessary medical spending in the poverty thresholds changes the relative poverty rate of various groups. The relative poverty of the elderly rises and that of children falls, although the relative rate among adults under 65 remains virtually unchanged. As already noted, older Americans spend larger amounts on medical care; this explains the rise in their relative poverty. Since few families with children also contain elderly members, average health spending is somewhat lower among families with children than in the population as a whole. Moreover, free or low-cost care is available to a large fraction of low-income children through Medicaid. Our alternative poverty measure also has a noticeable impact on the regional distribution of poverty: people in the south face a relatively higher risk of poverty, those in the northeast a significantly lower risk than under the official measure.

**Table 3**
**Weighted Average Poverty Thresholds for 1998 under Alternative Definitions**

| Threshold Definition | Families Headed by Person under 65 | Families Headed by Person Aged 65 or Older |
|---|---|---|
| Official Poverty Threshold | $14,840 | $10,660 |
| NAS-Recommended Threshold | $14,960 | $11,520 |
| NAS Threshold + "Reasonable" Medical Expenses* | $17,630 | $15,310 |

Source: Authors' tabulations of March 1999 CPS files.

*Based on lowest estimate of "reasonable" medical expenses (see text).

## Conclusions

Two conclusions stand out in this analysis. First, the inclusion of medical spending in the poverty definition has a large effect on the level and composition of poverty. Groups which are heavy users of medical care appear to be relatively worse off, and groups whose care is subsidized relatively better off, than the official definition indicates.

This finding has obvious political implications. Policy advocates often welcome analysis that shows their favorite target population is more deserving of public help. They resist evidence that favored target groups have less need for assistance. People who favor government redistribution thus welcome statistical reports showing that the incidence of poverty is higher (or is worsening at a faster pace) than previously believed. People who oppose redistribution are naturally suspicious of such reports. Advocates who favor increased aid targeted on a particular group embrace new evidence that this deserving group suffers worse poverty than previously believed. Lobbyists who support assistance programs for competing groups may profess skepticism of the new evidence. All sides of the debate believe that poverty statistics provide ammunition for their cause or at least for frustrating the ambitions of their political rivals. Poverty measures that capture the differing impacts of medical spending on different classes of Americans will show

that poverty is relatively worse among groups expected to spend the most on care.

Our findings suggest a second conclusion. The level and composition of poverty can be comparatively unaffected by how we incorporate medical spending—whether medical out-of-pocket expenses are subtracted from resources or estimates of reasonable expenses are added to the poverty threshold. The two approaches can produce virtually identical pictures of the nation's poor depending on the definition of "reasonable" medical spending. The choice between the two methods thus depends largely on ease of estimation and theoretical preference.

Which procedure gives a better indication of the adequacy of health care available to households or the appropriateness of the actual care they receive? On this score, both methods are deficient. The NAS panel was right in urging government agencies to develop one or more indexes of "medical care risk," which would measure the economic and health risks facing families that have poor medical insurance or no insurance at all. As the panel noted, however, this concept of "risk" is distinct from poverty, so its measurement should be kept separate from the official measure of economic poverty. ■

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[1]This article is based on G. Burtless and S. Siegel, "Medical Spending, Health Insurance, and the Measurement of American Poverty," unpublished paper, Brookings Institution, April 2001. Revising the poverty measure was the topic of a special issue of *Focus* 19, no. 2 (Spring 1998).

[2]Health Care Financing Administration, "1999 National Health Expenditures Tables," Table 4, http://www.hcfa.gov/stats/nhe-oact/tables/Tables.pdf, 2000.

[3]In the 1960–61 Consumer Expenditure Survey, 6.7 percent of household expenditures was devoted to health care consumption; in the 1999 Survey, the share devoted to health care was just 5.3 percent (E. Jacobs and S. Shipp, "How Family Spending Has Changed in the U.S.," *Monthly Labor Review* [March 1990], p. 21; and ftp://ftp.bls.gov/pub/special.requests/ce/standard/y9399/multiyr.txt [downloaded 16 March 2001]).

[4]C. Citro and R. Michael, eds., *Measuring Poverty: A New Approach* (Washington, DC: National Academy Press, 1995).

[5]Citro and Michael, *Measuring Poverty*, pp. 231–32.

[6]D. Betson and J. Warlick, "Reshaping the Historical Record with a Comprehensive Definition of Poverty," unpublished paper, University of Notre Dame, South Bend, 1998.

[7]The death rate of men aged 65–84 fell by about 1.2 percent per year from 1982 to 1994. F. Bell, *Social Security Area Population Projections: 1997*, available on the World Wide Web site of the Social Security Administration <http://www.ssa.gov/OACT/NOTES/AS112/as112cov.html>.

[8]For the Census Bureau's methods and estimates, see K. Short, T. Garner, D. Johnson, and P. Doyle, *Experimental Poverty Measures, 1990–97*, Report P60-205, U.S. Bureau of the Census, Washington, DC, 1999.

[9] That is, we restricted our sample to families whose income-to-needs ratio (the family's money income divided by the official poverty threshold) was no higher than the median for the population and no lower than half the median.

[10]See Table 1 of the full article.


## IRP Visiting Minority Scholars Program, 2001–2002

Continuing a program that began in 1998, the Institute for Research on Poverty offers the opportunity for minority scholars in the social sciences to visit IRP, interact with its faculty in residence, and become acquainted with the staff and resources of the Institute. The invitation extends (but is not restricted) to those who are in the beginning years of their academic careers. Applicants must hold a Ph.D. The intent of the program, which is supported by the University of Wisconsin–Madison, is to enhance the skills and research interests of minority scholars and to broaden the corps of poverty researchers.

Visits of one to two weeks duration by three scholars can be supported during the 2001–2002 academic year. The scholars will be invited to give a seminar, to work on their own projects, and to confer with an IRP adviser, who will arrange for interchange with other IRP affiliates.

Applications will be reviewed, and the visitors selected, by the IRP Executive Committee. Interested scholars should send a letter describing their poverty research interests and experience, the proposed dates for a visit, a current curriculum vitae, and two examples of written material to Elizabeth Evanson, Institute for Research on Poverty, 1180 Observatory Drive, Madison WI 53706; fax: 608-265-3119; e-mail: evanson@ssc.wisc.edu. Deadline for applications for the 2001–2002 academic year is September 15, 2001.

# IRP Visiting Scholar, 2001: Research Project

## An Exploration into the Efficacy of the Job Referral Networks of Low-Income African Americans

Sandra Smith

Over the past twenty years, a growing body of research has examined the social capital and social resources of the urban poor in an effort to better understand the relationship between their presumed social isolation and persistent joblessness.[1] These studies have usually taken one of two forms. Drawing from the literature on job search strategies, the first seeks to determine the extent and efficacy of informal contact use, such as friends, family members, and acquaintances, over more formal methods of job search. The second type of study follows the tradition within the social resources literature and implicates the structure and composition of poor people's networks. From both lines of research, two elements of social capital are documented: (1) the size of one's network of ties; and (2) the network's available resources. To the extent that social capital and social resources play a role in the experience of persistent joblessness among the urban poor, it is because, in absolute and relative terms, they tend to be embedded in networks with too few contacts who are structurally positioned to provide much-needed links to employment.

The research of the past two decades has done much to shed light on the role that social capital, or the lack thereof, has played in persistent joblessness, but an essential element of social capital has often been ignored. Although more members of the networks of urban poor people are weakly attached to the labor market, the poor are hardly isolated from others who have connections to mainstream institutions. Instead, the urban poor are often unable to mobilize job-finding assistance from friends, family members, and acquaintances who *are* endowed with social resources.[2] Thus, a third element of social capital is implicated: the willingness of contacts to aid when given the opportunity. But we know very little about the obligations, expectations, and issues of trust associated with the exchange of job information within poor, urban communities.

To fill this gap, I have collaborated with Alford Young, Jr, Assistant Professor of Sociology at the University of Michigan, to conduct in-depth interviews and to collect survey data relating to a random sample of 100 public housing residents of a predominantly low-income, African-American community in Ypsilanti, Michigan. Although data collection still continues, preliminary analysis is revealing. Consistent with previous research, the majority of residents in our sample thus far who have served as job contacts have reported a disinclination to assist in the job search process beyond telling job-seeking ties about vacancies.[3] Two reasons predominate. Many reported an unwillingness to be more active, for example, by talking to employers on the jobseekers' behalf, because, based on previous experiences, they feared that jobseekers would not follow through upon the information given by applying for the position. However, even if jobseekers succeeded in filling vacancies, contacts worried that jobseekers would prove themselves unreliable soon thereafter. Thus, in an effort to avoid looking bad, job contacts often distanced themselves from the jobseekers by providing a level of assistance that did not closely link them to these prospective employees—a method of assistance least effective at securing employment for referrals. Even when employers offered monetary incentives to their employees in an effort to increase referrals, distrust resulted in job contacts' continued reluctance to recruit jobseekers to whom they were connected.

I stress that these analyses are preliminary. However, these insights are providing a fuller picture of the social processes related to the exchange of job information within low-income African American communities, and a backdrop against which to better understand the relationship between social capital and persistent joblessness within poor, urban communities.

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[1]See, for example, R. Fernandez and D. Harris, "Social Isolation and the Underclass," in *Drugs, Crime, and Social Isolation*, ed. A. Harrell and G. Peterson (Washington, DC: The Urban Institute, 1992); G. Loury, "A Dynamic Theory of Racial Income Differences," in *Women, Minorities, and Employment Discrimination*, edited by P. Wallace and A. LaMond (Lexington, MA: D.C. Heath, 1977); G. Green, L. Tigges, and D Diaz, "Racial and Ethnic Differences in Job-Search Strategies in Atlanta, Boston, and Los Angeles," *Social Science Quarterly* 80, no. 2 (1999): 263–78; P. Kasinitz and J. Rosenberg, "Missing the Connection: Social Isolation and Employment on the Brooklyn Waterfront." *Social Problems* 43 (1996):180–96; W. Wilson, *The Truly Disadvantaged* (Chicago: University of Chicago Press, 1987).

[2]K. Newman, *No Shame in My Game: The Working Poor in the Inner City* (New York: Knopf and Russell Sage, 1999); R. Waldinger, *Still the Promised Land? African-Americans and New Immigrants in Postindustrial New York* (Cambridge, MA: Harvard University Press, 1996).

[3]Green, Tigges, and Diaz, "Racial and Ethnic Differences"; S. Smith, "Mobilizing Social Resources: Race, Ethnic, and Gender Differences in Social Capital and Persisting Wage Inequalities," *Sociological Quarterly* 41, no. 4 (2000): 509–37.

# Reconceptualizing "percent black": Explanations of violence among African American youth

Marino Bruce

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Over three decades have passed since the defeat of Jim Crow, yet the United States continues to be a dangerous place to live for many poor and minority citizens. Homicide is the leading cause of death among young African American males. But violent behavior today, unlike the violence inflicted in the past on subordinate racial or ethnic groups, often occurs within the same age, gender, class, and race groupings.[1]

The study of violent crime among African Americans offers a challenge to researchers. The absence of high-quality data and use of inappropriate statistical techniques are one source of difficulty, but I would also argue that difficulties lies in the way the research is conceptualized.[2] Nearly all studies examining the relationship between race and criminality employ an empirical framework that uses a one-dimensional scale of problem behavior affecting African Americans. This scale is racial composition—the percentage of African Americans in an area, "percent black"—which is used as a measure of *cultural context* or simply *race effects*, without much thought about what the measure may actually be capturing.

In this article I suggest a more complex understanding of how the race effects of violence, particularly among youth, are linked to tangible aspects of U.S. society such as unemployment and poverty and to the local and familial context within which most African Americans reside.

## Explaining the connection between race and violence

Research examining the connection between race and violence generally draws on one of three paradigms to explain the apparent links between the two. The *biocriminal argument* holds that nonsocial (biological) factors have as much or more to do with violent behavior as do social factors. The *cultural argument* locates the link between race and violence in the normative attitudes prevailing in particular groups; violence is seen as a consequence of a culture in which criminality and physical force are more acceptable forms of behavior. *Structural explanations* locate the source of violence in the high levels of poverty and unemployment that bedevil African American communities.

### Biocriminal perspectives

The biocriminal approach is by far the most controversial. Beginning in the later nineteenth century, biocriminal theorists argued that genetically determined characteristics predispose some groups, especially African Americans, toward violent and criminal behavior. Contemporary adherents of these theories do acknowledge the importance of social environment, but a close inspection reveals that the core of the traditional argument remains intact. James Q. Wilson and Richard Herrnstein, for example, argued that differences in African and European American crime rates can be attributed to "constitutional differences" such as body type, personality, and IQ scores, all of them, essentially, physiologically determined.[3]

Biological explanations of racial differences in social phenomena, including violence, are now at the periphery of social science discourse. They have not, however, disappeared—witness the publication, in 1994, of Richard Herrnstein and Charles Murray's book, *The Bell Curve*. The argument that groups exhibiting high levels of violence are genetically or biologically different fails to recognize that race is itself a politically constructed classification scheme. Race, denoted by skin color, is the basis upon which political rights and economic advancement were for centuries denied to African Americans. Despite the changes of the last 30 years, racial profiling and other discriminatory practices against African Americans suggest that race continues to be significant in the distribution of economic and political resources.[4]

### Cultural perspectives

The basic premise of this approach is that the value systems of particular groups, including African Americans and other minorities, are qualitatively different from those of the larger society. African American neighborhoods, so this argument runs, contain high numbers of female-headed households and generally inadequate schools that do not sufficiently encourage individuals to abide by the norms of the broader society. As a result, disputes among African Americans are more likely to be resolved by resort to violence rather than more legitimate means, such as verbal negotiation.[5]

This perspective rose to prominence in the 1960s, and for a decade thereafter was the primary explanation for the

connection between race and violence. Despite its popularity, however, this school of thought has been criticized for assuming that members of a particular social subgroup create and adhere to a unique subculture. Critics argue that the characteristics that are considered to be "unique cultural tendencies" may instead reflect fundamental structural aspects of a community, such as poverty and unemployment. By directing attention to the alleged problems within African American and other communities—the disintegration of families, churches, and schools—the cultural perspective tends to overlook the significant interactions between the structural and cultural features of those communities.[6]

### Structural approaches

From the perspective of structural criminology, the disparate rates of within-group violence are attributable to harsh economic conditions, coupled with very high levels of residential segregation. They are not a result of the pathological or cultural deficiencies of African American or other minority groups.

There are at least two strands of thought within this literature. One, generally known as "strain theory," posits that crime arises when groups lack legitimate means of achieving aspirations endorsed by the dominant culture. If legitimate avenues of opportunity through education and employment are curtailed, some will pursue these ends through illegitimate and violent means.

The second approach stresses social disorganization—the disintegration of social bonds between residents and their community that reduces its ability to guard against crime. Limited structures of opportunity hinder the formation of formal and informal modes of social control or tear down those that exist.[7] Families, for example, can have a considerable impact on delinquent behavior, but families embedded in areas with limited economic or social resources are less able to monitor or restrict behavior or to provide youth with positive experiences, role models, and links to structures of opportunity.[8]

Regardless of the conceptual foundation, most of the empirical research investigating violence among African Americans employs very similar frameworks. By using racial composition ("percent black") as a proxy for race or culture, this research assumes, in effect, that the size of the African American population is equivalent to the size of a subpopulation with different normative characteristics and institutional tendencies.

Racial composition has also been used in conjunction with poverty measures to capture structural disadvantage. This work, however, has done little to present a clear picture of the way that material circumstance factors into high levels of violence among African Americans. In structural criminology, racial composition denotes material disadvantage and inequality, which in turn increase the likelihood that individuals or groups may behave in ways harmful to themselves or others. This approach neglects the dynamic interactions of race and class and more general societal patterns of opportunity and spatial concentration, and it does not specify why African Americans are disadvantaged to begin with.

## Exploring the links between race and violence: An expanded framework

A better understanding of the race-violence relationship requires a dynamic framework that puts at its center the processes that produce material inequality and cultural variation among different groups. It also requires us to understand the potentially recursive effects of violence on social structure—how violence, for example, may affect the racial composition of a neighborhood or its level of economic deprivation.

### Inequality and deprivation

There have been several different approaches to understanding the sources of persistent inequality and deprivation. Social stratification research argues that the level of inequality facing African Americans in a particular area depends on their relative numbers and rate of increase. Responses to an increasing minority population may include exclusionary hiring policies, discriminatory pay, and relegation to low-status jobs, all of which intensify the economic, political, and social disadvantages of African Americans.[9]

Other schools of thought explain limited opportunities for African Americans as the outcome of a changing economy rather than exclusionary or discriminatory practices. When industries either shut down or relocate outside central cities, where most African Americans live, many of their former employees lack the human capital or financial resources to relocate. They either seek employment in the local, low-paying service sector or abandon the labor market entirely.[10]

Corporate policies of investment and disinvestment that systematically bypass localities with large minority populations contribute to inequality. Redlining of disproportionately African American areas by banks and insurance companies limits the formation of new businesses and contributes to the speed at which an area physically declines. Residential "steering" by realtors, federally sponsored low-income housing, and discriminatory attitudes have kept urban areas segregated, even though federal law prohibits the intentional segregation of races. Schools in residentially segregated, nonwhite neighborhoods have poorer facilities and an environment not conducive to learning. Young people in these areas drop out of school at much higher rates, and those who do graduate are less likely to have the educational or vocational preparation for college or a skilled labor market. These

educational disadvantages curtail opportunity even more severely.

These explanations are not mutually exclusive. Racial discrimination, labor market exclusion, and residential segregation combine with investment practices and policies to structure the opportunities available to African Americans, adversely affecting the education and life chances of succeeding generations. By incorporating these dynamics into our analyses, rather than merely blending them into an ambiguous racial-composition statistic, "percent black," we take a step toward giving them substance and achieving fuller understanding of the link between race and violence.

**Incorporating normative explanations**

It has been argued that individuals who perceive that life has dealt them very few good opportunities tend to become angry and lash out violently at those around them.[11] To portray African Americans as driven to violence by overwhelming structural conditions is problematic. It is also simplistic. Human actors engage in purposeful behavior, within a particular social framework and set of circumstances. They interpret and deal with those circumstances with the help of social norms and guidelines—sometimes described as a kind of cultural "toolset."[12]

Take, for example, violence, which tends to be concentrated among adolescent and young adult males. Adolescent males in general seek the respect given to "men" through public displays of "manhood." They also tend to acquire information about their own future opportunities by observing the current economic and occupational status of adults they know.[13] Young males in disadvantaged, racially segregated, and often violent neighborhoods face fairly grim prospects of social mobility, and these prospects shape their normative responses and boundaries. Displaying physical superiority to the point of violence is one easy way to gain recognition when legitimate opportunity is limited.[14] It is, in essence, an accommodation to the lack of power associated with poverty.

In two studies, one using data from the National Educational Longitudinal Study (NELS) and the Common Core of Data (CCD) and the other using data from the National Longitudinal Study of Adolescent Health (Add Health), I examined fighting among students in the context of structural factors—family poverty and a racial inequality scale that incorporates poverty, mean income, and unemployment.[15] These structural factors influence delinquent behavior directly and also indirectly, through the mediating factors of family and peers. In both studies, African American and white students inhabited distinct economic and social universes. African American students lived in areas with fewer economic and social resources; they were more likely to live in larger families and single-parent families, to be in families with lower incomes, and to have parents with lower levels of education. They had higher levels of exposure to violence than white students, but lower levels of alcohol and marijuana consumption and of work and athletic participation.[16]

Regression analyses of these data suggest that racial differences in fighting have less to do with racial group membership than with the economic and social resources associated with place, family, and friends, and with individual circumstance. Of the structural factors noted above, only poverty is significantly correlated with fighting. The link between the two is not diminished when we include mediating family influences, suggesting that poor neighborhoods are indeed dangerous places, where family and friends cannot protect an individual from violence. In such a context, fighting may allow an individual to navigate the streets more safely.[17]

Among the family influences, social class plays a clear role. Regardless of race, violent acts are less common among students who belong to families with higher education and income, suggesting that parents with greater resources can provide children access to more socially acceptable activities than fighting. But the interaction of class and race is a complicated one. For example, alcohol use is greater among better-off white teenagers, but less among better-off African American teenagers. We can speculate that the difference is due to social class. Family affluence is more likely to protect white teenagers than African American teenagers from the consequences of delinquent acts; the practice of racial profiling, for example, makes African Americans in an area suspect, regardless of class.

Among individual influences, one of the more interesting is the effect of having been a witness to or a victim of violence. This has a strong correlation with violent delinquency for whites and African Americans alike. But it is a far more important influence on white youth, especially white girls, than it is for African Americans. Since racial minorities are much more likely to be exposed to violent acts, these differences may be a product of desensitization: when violence is a common part of the social landscape, it may have a smaller impact on those exposed to it.

Thus characteristics that are often perceived as unique cultural aspects of a subordinate group may actually reflect the group's economic and social position rather than its race or ethnicity. Comparing European and African Americans in areas with similar disadvantages, we find that the levels of "underclass behaviors" typically thought to reflect African American culture are, in fact, a reflection of the poverty-stricken neighborhoods in which people live.[18]

**The reciprocal effects of violence**

Just as social structure affects violence, so criminal activity and violence create their own feedback effects. Companies will be reluctant to invest in areas where they

may have trouble in obtaining investment capital because of neighborhood redlining and in attracting skilled employees because of the fear of violence, and where their insurance and security costs are higher. So businesses that might provide substantial employment in a community bypass the central cities in favor of safer and less expensive suburban environments.

A high level of violence also intensifies the isolation of communities, causing higher-income residents to seek less dangerous workplaces and residential neighborhoods, further eroding the tax base and the ability to attract state and local funding for community and school improvements. In each case, the violence that results from the community's inability to acquire economic and political resources intensifies those deficits.

## Conclusions

By broadening the discourse about violence to include fundamental societal processes, we may hope to achieve not only a better understanding of the origins of violence, but also better solutions.

Increased policing of dangerous areas, mentoring of vulnerable adolescent populations, brokering gang truces, and creating safe zones for the threatened are important but are only temporary fixes. These remedies will remain limited in their effect until policy takes into account the mechanisms that reproduce poor, segregated neighborhoods and disadvantaged populations.

Serious efforts to deal with violence and crime within certain communities must also address the social and economic causes. Policies encouraging economic development and growth have clear consequences for family stability and well-being, the availability and quality of educational resources, and a sense of attachment to and responsibility for the community. Equally important is the intensification of legal efforts to curb discrimination in housing, education, employment, and investment. ■

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[1]The ideas discussed in this article are examined at greater length in M. Bruce, "Violence among African Americans: A Conceptual Assessment of Potential Explanations," *Journal of Contemporary Criminal Justice* 16, no. 2 (May 2000): 171–93.

[2]K. Land, P. McCall, and L. Cohen, "Structural Covariates of Homicide Rates: Are There Any Invariates across Time and Social Space?" *American Journal of Sociology* 95 (1990): 922–63.

[3]J. Wilson and R. Herrnstein, *Crime and Human Nature* (New York: Simon & Schuster, 1985).

[4]See C. Jencks, *Rethinking Social Policy* (Cambridge, MA: Harvard University Press, 1992).

[5]D. Moynihan, *The Negro Family* (Washington, DC: U.S. Department of Labor, 1965); K. Auletta, *The Underclass* (New York: Random House, 1982); J. Gibbs, *Young, Black, and Male in America: An Endangered Species* (New York: Auburn House, 1988).

[6]E. Anderson, *Streetwise: Race, Class, and Change in an Urban Community* (Chicago: University of Chicago Press, 1990); R. Sampson and W. Wilson, "Toward a Theory of Race, Crime, and Urban Inequality," in *Crime and Inequality*, ed. J. Hagan and R. Peterson (Palo Alto, CA: Stanford University Press, 1995.

[7]See, e.g., J. Blau and P. Blau, "The Cost of Inequality: Metropolitan Structure and Violent Crime," *American Sociological Review* 47 (1982): 114–29; R. Sampson, "Urban Black Violence: The Effect of Male Joblessness and Family Disruption," *American Journal of Sociology* 93 (1987): 348–82.

[8]See, for example, V. Roscigno and M. Bruce, "Racial Inequality and Social Control: Historical and Contemporary Patterns in the South," *Sociological Spectrum* 15 (1995): 323–49.

[9]D. Tomaskovic-Devey, *Gender and Racial Inequality at Work* (Ithaca, NY: ILR Press, 1993); M. Tienda and D. Lii, "Minority Concentrations and Earnings Inequality: Blacks, Hispanics, and Asians Compared," *American Journal of Sociology* 93 (1987): 141–65.

[10]W. Wilson, *When Work Disappears: The World of the New Urban Poor* (New York: Knopf, 1996).

[11]J. Gibbs, "Anger in Young Black Males: Victims or Victimizers?" in *The American Black Male*, ed R. Majors and U. Gordon (Chicago: Nelson-Hall, 1994).

[12]See, e.g., A. Swidler, "Culture in Action: Symbols and Strategies," *American Sociological Review* 51(1986): 273–86.

[13]J. Macleod, *Ain't No Making It* (Boulder, CO: Westview, 1995); J. Ogbu, *Minority Education and Caste: The American System in Cross-Cultural Perspective* (New York: Academic Press, 1978); V. Roscigno, "Race, Institutional Linkages, and the Reproduction of Educational Disadvantages," *Social Forces* 76 (1998), 1033–60.

[14]J. Messerschmidt, *Masculinities and Crime* (Lanham, MD: Roman and Littlefield:1993); D. Nicholson, "On Violence," in *Speak My Name*, ed. D. Belton (Boston: Beacon Press, 1995)

[15]NELS is a survey of adolescents, their families and friends, their teachers and the schools they attend; the CCD contains national data on over 87,000 public elementary and secondary schools and some 17,000 school districts. This study is reported in "Inequality and Delinquency: Sorting out Some Class and Race Effects," *Race and Society* 2, no. 2 (2000): 133–48. Add Health surveyed a nationally representative group of seventh through twelfth graders both in school and at home; see M. Bruce, "Inequality, Interactional Complexity, and Violent Delinquency: An Exploration of Structural, Family, and Individual Considerations," IRP Discussion Paper 1216-00, Madison, WI, 2000.

[16]In the Add Health study, statistically significant gender differences were present only at the level of individual behavior; males ranked higher than females in measures of alcohol and drug use but also in work and athletic participation.

[17]Anderson, *Streetwise*.

[18]See also Y. Alex-Assenoh, "Myths about Race and the Underclass: Concentrated Poverty and Underclass Behaviors," *Urban Affairs Review* 31 (1995): 3–19.



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# Racial disparities in imprisonment: Some basic information

Pamela E. Oliver

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The United States now has the highest incarceration rate in the world, 690 people per 100,000—a rate that is four to six times higher than that of most other nations. Incarceration is, moreover, very unevenly spread across the population, and particularly impinges upon blacks and Hispanics. The imprisonment rate of black American men is over eight times greater than that of European Americans. Young black men are even more severely affected. Federal statisticians at the Bureau of Justice Statistics now estimate that the "lifetime expectancy" that a young black man will spend time in prison is about 29 percent. For Hispanics, the rate of imprisonment is about three times higher than that of European Americans.[1]

These high rates of incarceration among blacks, especially working-age men and women, have a substantial economic and social impact on black families and on communities with large black populations. The consequences are only now becoming more widely understood. The imprisonment of large numbers of males and the lifelong effect on their earnings and employment clearly play a role in the high rates of black female-headed households and in the poverty of largely black communities. It seems possible also that the rates of incarceration may in the long run increase rather than decrease crime rates. For incarceration is a source of economic stress and family disruption, which are themselves major predictors of crime.

The extreme black-white difference in imprisonment rates is a relatively new phenomenon. Racial stratification has long been an element in U.S. society, and blacks have generally had higher official crime and imprisonment rates. But the widening disparity in recent decades (see Figure 1) casts serious doubt on simplistic ideas of "race" either as a causal factor in crime or an unchanging

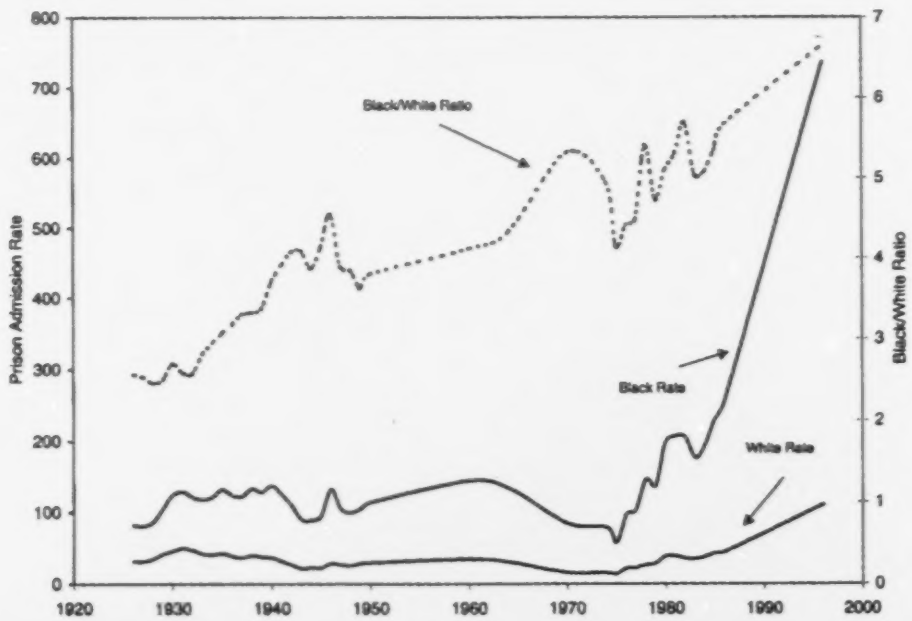


**Figure 1. U.S. prison admissions, by race, 1926–96.** The prison admission rate is the number of people of each race admitted to state or federal prisons per 100,000 members of the population of that race.

**Source:** Calculated from a dataset, "Race of Prisoners Admitted to State and Federal Institutions in the United States, 1926–1986," United States Department of Justice, Bureau of Justice Statistics, and Inter-university Consortium for Political and Social Research. The dataset includes prison admission figures by race and state and appropriate census figures. Also published as P. Langan, "Race of Prisoners Admitted to State and Federal Institutions, 1926–86," Bureau of Justice Statistics, U.S. Department of Justice, Washington, DC, May 1991. Calculations for 1996 from the National Corrections Reporting Program dataset, plus U.S. Census Bureau population figures.

source of discrimination. The rates of prison admissions as a proportion of population for both races were relatively stable until about 1975. Thereafter, the imprisonment rates of both races rose very rapidly, but far faster for blacks than for whites.

Although nearly everyone in prison has committed a crime, the rise in imprisonment since the 1970s is not explained by crime rates, but by changes in policies related to crime. Crime rates were high in the 1970s, but have fluctuated several times since then, while the rate of imprisonment has steadily risen. Determinate sentencing, which eliminates judicial discretion, longer sentences for drug offences, increases in funding for police departments and large increases in prison capacity, the exacerbation of racial tensions and fears following the civil rights movement and the riots of the 1970s, and the politicization of crime as an election issue all appear to have played some role.

In attempting to tease apart the reasons for the high racial disparities in imprisonment, the first question one wants to ask is how much of the disparity is due to "real" differences in crime, and how much is due to "bias." There is no easy answer, because of the complexity of crime and imprisonment statistics. We cannot view "crime" as a single entity, to which law enforcement is a simple mechanical response, but as a set of types of crimes that almost certainly have different kinds of relationships to social and economic factors, to political factors, and to law enforcement.

Because the prison population at any one time consists disproportionately of those who have long sentences, the simple numbers of those incarcerated tell a far less interesting story about racial differences in incarceration than do the numbers arrested and admitted to prison for different kinds of crimes.

For the 37 states for which my research team had data, we calculated prison admissions and arrests, by race, for each offense group—murder and manslaughter, robbery, sexual assault, drugs, property crimes, offenses against public order, and so on. For murder and manslaughter, the arrest rate was 26 per 100,000 for blacks, 4 per 100,000 for whites. But although homicide attracts much attention, it is a small part of crime. There were many more arrests among both races for less serious crimes, and arrest rates for blacks were much higher for these crimes also; for example, the black arrest rate for possession or sale of drugs was 1,450 per 100,000, versus 379 for whites; for property crimes the rate was 1,595 versus 512, and for assault, 1,723 versus 481.

Imprisonment rates are also very much higher among blacks: among those arrested for possession or sale of drugs, for example, nearly three times as many blacks as whites were imprisoned, and for property crimes and public order offenses twice as many blacks as whites are imprisoned. Drug crimes and property crimes were by far the biggest contributors to the numbers incarcerated; between them they accounted for 60 percent of the difference in imprisonment rates (Figures 2 and 3).[2] Our calculations suggest that if the rate of imprisonment per arrest were the same for blacks and whites in all offense categories, the black imprisonment rate would be about half of what it is.

Such calculations do not, of course, resolve the questions about the disparities. We have no source of systematic information about those who are not sent to prison. The data do not, for example, permit us to judge variation in the seriousness of crimes within offense categories, nor do they give information about factors such as prior criminal records which may enter into prosecutors' decisions not to prosecute and judges' decisions not to impose a prison sentence.

Complicating the picture still further are the substantial differences in state rates of arrest and imprisonment, by race (Figure 4). The two states with the highest white imprisonment rates, California and Oregon, also had the highest black imprisonment rates, but beyond that there appears to be very little correlation between black and white imprisonment rates, and local trends sometimes depart from national trends.[3] Hawaii had by far the lowest black/white imprisonment ratio, 1.66; it is also the only state where both blacks and whites are minorities and Asians are in the majority. On the mainland, the lowest imprisonment ratio was about 4, in West Virginia. Iowa, Utah, Wisconsin, and Minnesota, with small black populations, had very high rates of imprisonment for blacks; the disparity in prison admissions by race was 25.5 for Minnesota and 20.6 for Wisconsin. In Wisconsin, the black population constitutes only 5.5 percent of the total, yet Wisconsin's incarceration of blacks has historically been higher than the national average (its incarceration of whites is about average or below).

Moreover, state averages mask very large local differences. Within Wisconsin, patterns of incarceration by race differ greatly from county to county. In Milwaukee, with three-quarters of the black population of Wisconsin, the rate of imprisonment of black men as of April 2000 was 13.9 times as great as that of white men. Five counties with significant but still small black populations (i.e., over 1,000 black residents who are not in prison) had much higher rates of black imprisonment than Milwaukee. In Dane County, where white incarceration rates were below average, the black imprisonment rate was 35.5 times the white rate.[4] These data echo findings from North Carolina that counties with smaller black populations jailed blacks at higher rates than did counties with larger black populations.[5]

Regression analyses of the national data suggest that three significant factors contribute to racial disparities in prison admissions:

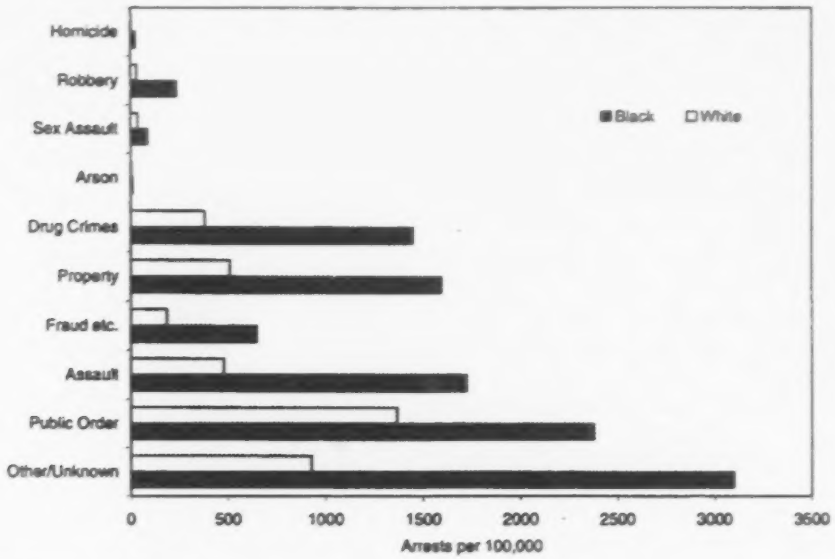


**Figure 2. Arrests, 1996, by race and category of offense.**

**Source:** Calculated from the FBI's Uniform Crime Reports data on numbers of arrests by offense, race, and state for 1996, plus U.S. Census Bureau population figures.

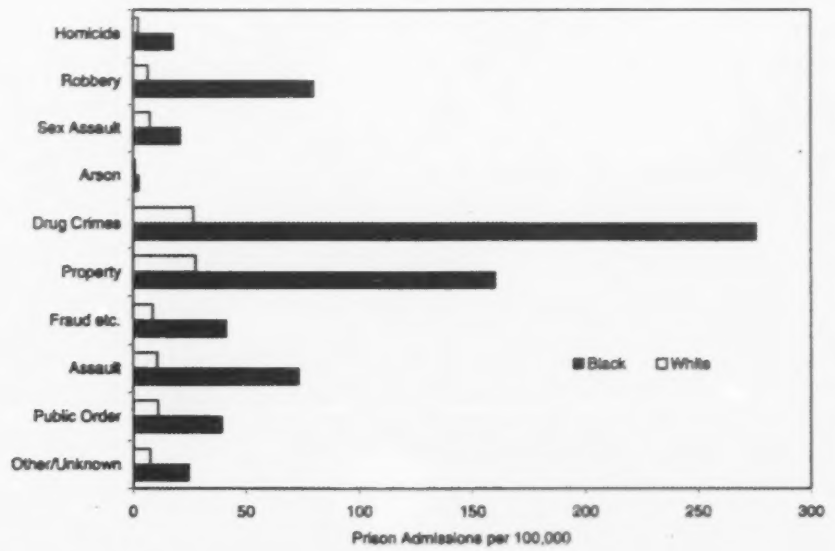


**Figure 3. Prison admissions, 1996, by race and category of offense.**

**Source:** Calculated from data on prison admissions available from the National Corrections Reporting Program for 1996, plus U.S. Census Bureau population figures.

1. The white imprisonment rate: states that imprison more whites also imprison more blacks.

2. The percentage of the population that is black: in general, the smaller the percentage, the higher the imprisonment rate of blacks.

3. The ratio of the black poverty rate to the white poverty rate (absolute poverty is not significant, only relative poverty).

It appears that blacks are more likely to be imprisoned where they are a smaller, politically weaker, and eco-

nomically marginalized population. Whatever the causes, black incarceration levels have now reached crisis proportions, and it is impossible to understand trends in black crime or in black economic well-being without taking specific account of the effects of incarceration. ■

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[1]These figures are from U.S. Department of Justice, Bureau of Justice Statistics, *Prisoners in 1999*, and include only those in prison, not jail (prisons are federal and state institutions, jails are run by local government). The analyses by Pamela Oliver and her colleagues are presented on the World Wide Web site, "Racial Disparities in Criminal Justice," <http://www.ssc.wisc.edu/~oliver/racial.html>. See also the article in this *Focus* by Western.

[2]Author's calculations from the 1996 National Corrections Reporting Program database and Uniform Crime Reports Data for 1996.

[3]There is a chance the "white" imprisonment rate in California and Oregon is inflated by the inclusion of white Hispanics, although both states have "three strikes" laws, which have increased the prison population.

[4]The census counts prisoners where they are imprisoned. Sixty percent of Wisconsin counties have fewer than 100 black residents, and these counties have below average black imprisonment rates. For these Wisconsin statistics, see Pamela Oliver, "Racial Disparities in Imprisonment in Wisconsin," at <http://www.ssc.wisc.edu/~oliver/racial.html#Wisconsin Disparities Project>.

[5]V. Roscigno and M. Bruce, "Racial Inequality and Social Control: Historical and Contemporary Patterns in the South," *Sociological Spectrum* 15 (1995): 323–49.

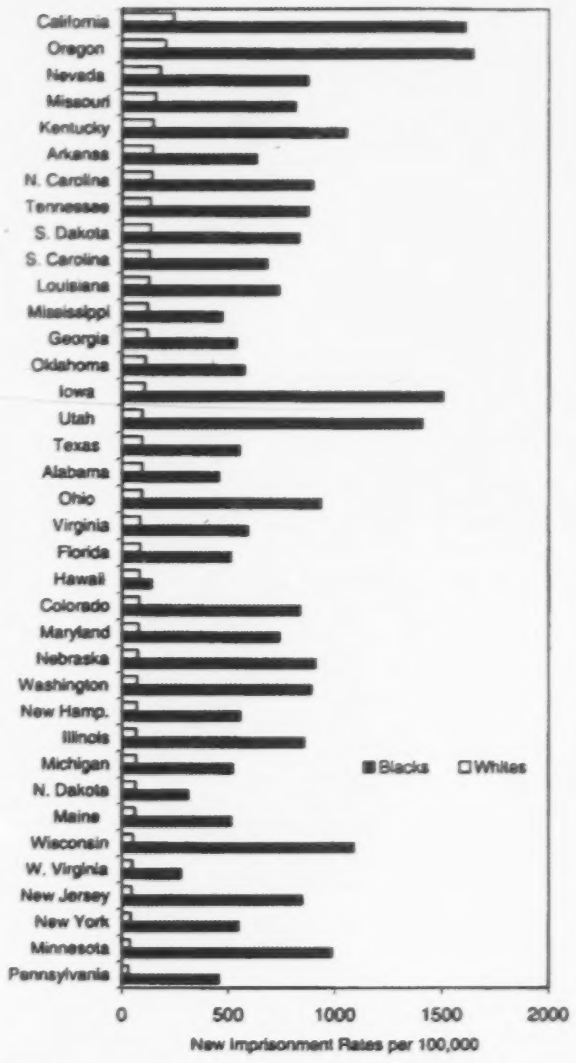


**Figure 4. New imprisonment rates by state, 1996.** States are listed in order of the white imprisonment rate.

**Source:** Calculated from data on prison admissions available from the National Corrections Reporting Program for 1996, plus U.S. Census Bureau population figures.



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# Incarceration, unemployment, and inequality

Bruce Western

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In the later 1990s, two remarkable conditions influenced the employment opportunities of young, unskilled men in the United States. First, the unemployment rate fell to its lowest level in 30 years—around 4.5 percent by the summer of 1998. Second, the incarceration rate rose to its highest level in U.S. history. In 1998 1.78 million men were detained in American prisons and jails.

In removing so many from the labor force, U.S. incarceration policy has had significant but largely overlooked effects on unemployment. In the short run, it has lowered conventional measures of unemployment by concealing joblessness among a large group of able-bodied, working-age men. In the long run, it may raise unemployment rates by curtailing the job prospects of ex-convicts and will certainly deepen economic inequality, because its effects are increasingly detrimental to young, black, unskilled men, whose incarceration rates are the highest of all and whose market power is weak. In this article I explore both short- and long-run effects.[1]

## The penal system as a labor market institution

In industrial relations and welfare state development, the United States stands apart from other major western nations. Its employment system is far more market-driven: rates of unionization and unemployment insurance coverage are lower than in most other countries in the Organisation for Economic Co-operation and Development (OECD), and social welfare spending accounts for only about 15 percent of gross domestic product (GDP), compared to about a quarter of GDP in the large European countries.

In recent years, the highly regulated European labor market has been burdened with persistent unemployment and apparently stagnant rates of economic growth, whereas the unregulated U.S. labor market has seen unemployment steadily falling in a booming economy. These trends have been used to buttress the argument that un-

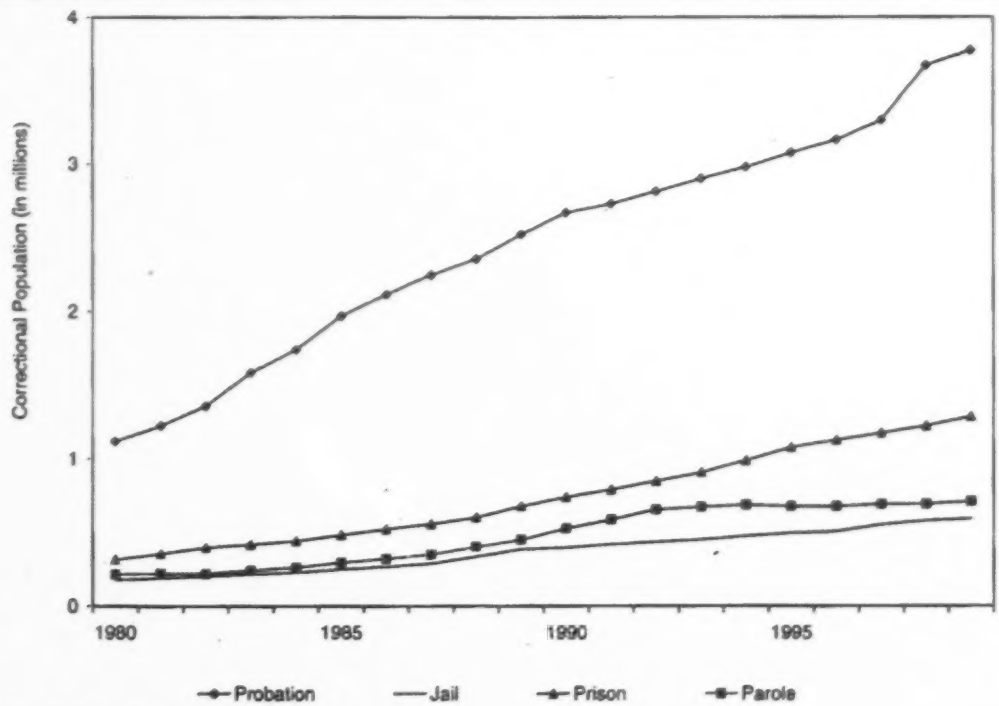


**Figure 1. Adult correctional populations, 1980–99.**
**Source:** Bureau of Justice Statistics <http://www.ojp.usdoj.gov/bjs/glance/corr2.txt>.



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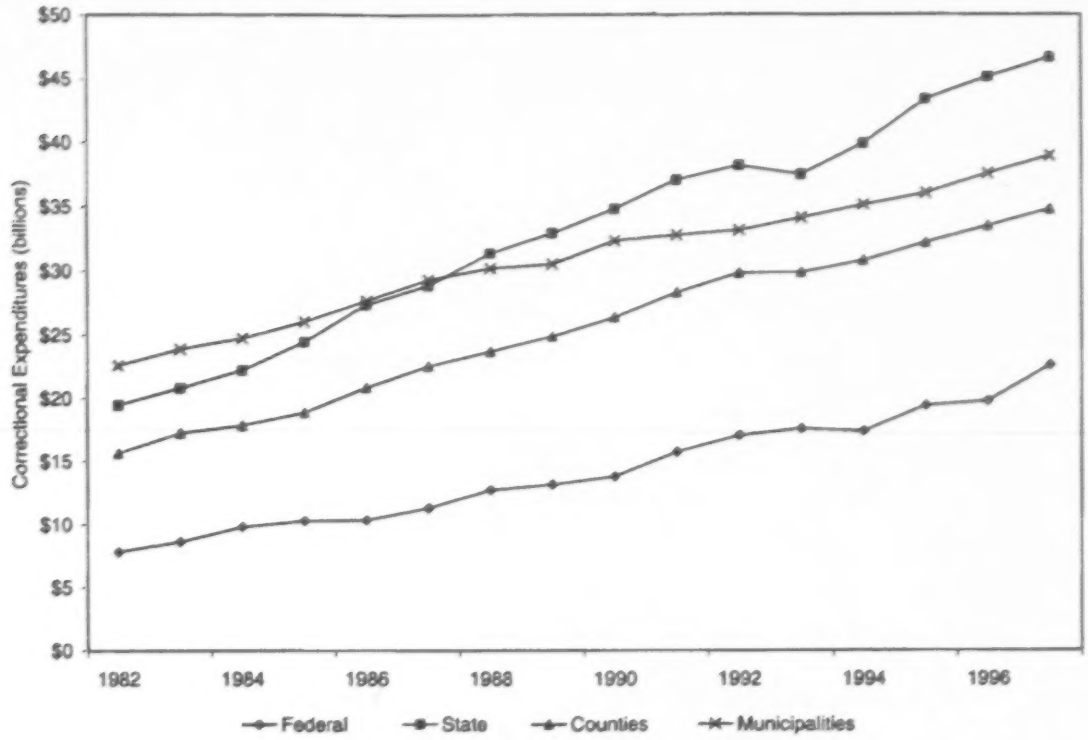


**Figure 2. Direct expenditures on criminal justice, by level of government, 1982–97, in constant 2001 dollars.**
**Source:** Bureau of Justice Statistics <http://www.ojp.usdoj.gov/bjs/glance/expgov.txt>

regulated labor markets yield stronger economic performance than highly regulated markets.

But the argument is too narrowly framed. Labor markets are embedded in a wide array of social arrangements that extend beyond the welfare state or industrial relations. The weakness of social protection mechanisms does not alone explain the superior U.S. employment record. In the United States, criminal justice policy constitutes a significant state intervention, providing a sizeable, nonmarket reallocation of labor that has significant effects on employment trends.

The magnitude of this intervention is reflected in incarceration and budget figures. Rates of incarceration began to increase in the early 1970s, but the most rapid growth took place in the 1980s and 1990s (see Figure 1). Between 1980 and 1999, the number of people in prisons and jails in the United States grew from half a million to almost two million. In 1997, combined federal, state, and local expenditures on criminal justice were $129.7 billion (see Figure 2) and unemployment-related expenditures were less than $50 billion.

Incarceration is spread unevenly across the adult population. Men make up more than 90 percent of all inmates. In the mid-1990s, about two-thirds of those inmates were under 35, and about half had not completed high school. The dramatic expansion of the prison population most seriously affected young African Americans. In 1930, blacks accounted for 22 percent of all those in prison. In 1992, over half the prison population was black. By 1995, one out of three black male youths was under some form of state supervision and nearly 7 percent of all black males were incarcerated.

The U.S. incarceration rate—the number incarcerated on a single day per 100,000 of the adult population—is very much greater than incarceration rates in other industrialized democracies. In 1992–93, for instance, the overall U.S. rate was 5–10 times greater than the rate for other OECD countries; among American blacks, the incarceration rate was 20 times greater (Figure 3). These high rates correspond to large absolute numbers. The entire Western European prison population is measured in hundreds of thousands, the prison and jail population in the United States in millions. This disparity does not reflect higher crime rates in the United States. The evidence, indeed, suggests that U.S. crime rates are only slightly above the average among industrialized countries.[2] Thus U.S. incarceration rates appear to result from more aggressive prosecutorial practices, tougher sentencing standards, and intensified criminalization of drug-related activity.

### The short-run effect of incarceration

The performance of national labor markets is commonly summarized by the unemployment rate—the percentage

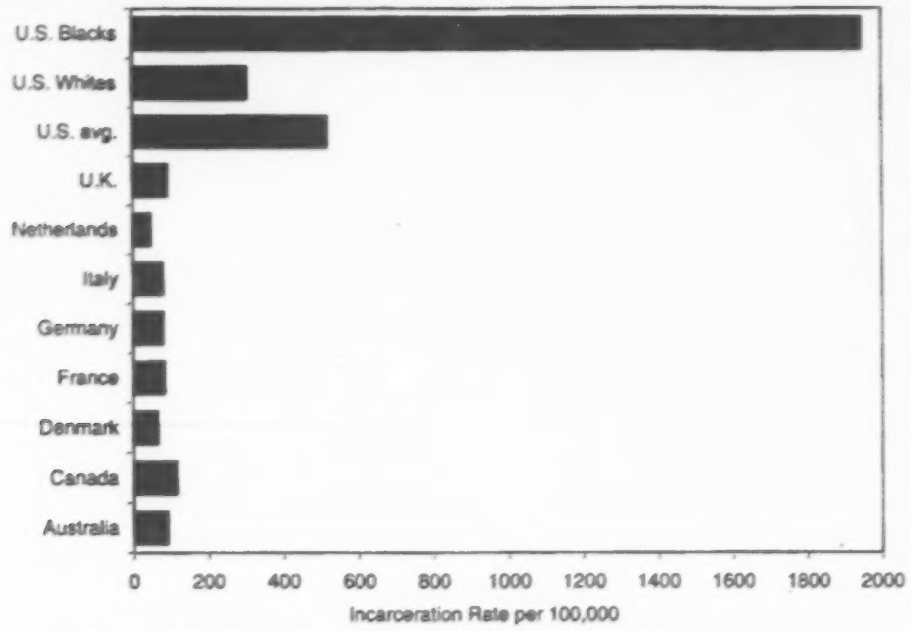


**Figure 3. Incarceration rate in selected OECD countries, 1992–93.**
**Source**: B. Western and K. Beckett, "How Unregulated Is the U.S. Labor Market? The Penal System as a Labor Market Institution," *American Journal of Sociology* 104, no. 4 (1999): 1030–60, Table 2.

of unemployed individuals among the civilian labor force. This definition excludes from its calculations those in the military and those in prison and jail, as well as the "discouraged," those no longer looking for work and therefore out of the labor force. A broader concept tries to tap the idleness or economic dependence of a group by extending the definition of "unemployed" to include those incarcerated.

In the short run, incarceration keeps those with a high risk of unemployment out of the labor market. National surveys of prisons and jails from the early 1990s indicate that, on average, more than a third of male inmates were unemployed at the time they were sent to prison. If, for example, we count among the unemployed those inmates who were not working when incarcerated, the adjusted unemployment rate for 1995 was 6.2 percent, versus the conventional rate of 5.6 percent.

If we pursue the calculation further, including all inmates among the unemployed, the adjusted U.S. unemployment rate for 1995 rises to 7.5 percent, an increase of 1.9 percentage points over the conventional rate.[3] According to this adjusted measure, U.S. rates of labor inactivity never fell below 7 percent throughout the 1980s. In the economically buoyant period of the mid-1990s, the rate of inactivity was about 8 percent, higher than any conventional unemployment rate since the recession of the early 1980s.

In Europe, the short-run effect of incarceration is tiny, because incarceration rates are so low. In all European countries, unemployed males outnumber imprisoned males by very large ratios— between 20:1 and 50:1 (in the United States the ratio is 3:1). Including prison inmates in the jobless count, therefore, changes the unemployment rate for most European countries by only a few tenths of a percentage point, a striking contrast with the large U.S. difference.

By the conventional measure, the United States enjoyed consistently lower unemployment than Europe after the mid-1980s. But adjusted figures that count the incarcerated population as unemployed suggest that the U.S. labor market performed worse, not better, than Europe for most of the period between 1976 and 1994.

### The long-run effect of incarceration

The long-run effects of incarceration highlight the employment experiences of convicts after they are released. Ex-convicts must reintegrate themselves into mainstream society, surmounting the psychological, social, and financial consequences of imprisonment. In this process, the ability to find stable, legal employment is crucial, yet job prospects for ex-convicts are poorer than the prospects of applicants with no criminal record. Incarceration erodes the value of vocational skills, and the increasingly violent and overcrowded state of prisons and jails produces attitudes and practices that may enhance survival in the prison but are not compatible with success in the conventional job market.[4] Job prospects may be even worse in the current context, because resources for educational and vocational training in prisons have declined.

Such experiences are better observed through survey data than through aggregate labor market statistics; I drew upon the National Longitudinal Survey of Youth (NLSY), which surveys a national sample of Americans aged 14 to 21 in 1979, to follow workers as they moved from prison to the labor market. I examined employment as a function of youth incarceration, jail time, and work experience, controlling also for personal and regional characteristics such as the extent of juvenile contact with the criminal justice system and the local unemployment rate. I included employment status both before and after incarceration, because the same characteristics that place men at risk of unemployment or low wages also raise their chances of criminal conviction.

The regression analysis indicates that youth who spent time in prison worked less four years later than youth who had no prison time. Incarceration, on average, reduced employment by about 5 percentage points, or three weeks a year. The effect is particularly large for black youth, whose employment was reduced by about 9 percentage points (5 weeks) by juvenile jail time. The effect of jail time on adult employment was greater than the effect of dropping out of high school or living in a high-unemployment area. Moreover, these effects did not decay over time. Even after 15 years, men incarcerated as juveniles worked between 5 and 10 percentage points less than their counterparts who never went to prison. The effects of adult incarceration, although large in the short run (5–10 weeks a year), were less persistent, and largely disappeared within four to five years of release.

With nearly two million men now in prison, these effects are not small. The penal system, when viewed as a labor market institution, appears to significantly undermine the productivity and employment chances of the male workforce.

## The penal system and racial inequality in employment

A large and growing proportion of young black men has had experience with the penal system; can we estimate the likely effect on their future prospects and on black-white economic inequality?

The short-run effects of incarceration are very much worse for black than for white men. As the prison and jail population grew throughout the 1980s, the labor market effects of incarceration for black men become much larger if all those incarcerated are counted among the unemployed. In 1990–94, the adjusted unemployment rate is only one percentage point higher for white men, but it is seven percentage points higher for black men. During the 1990s almost one in five African American men, on average, was without a job.

Standard labor force data report a persistent gap in joblessness between black and white men that dates at least from the late 1960s.[5] Employment-population ratios calculated from these data show that employment inequality grew most sharply for young high school dropouts.[6] By including the incarcerated in calculating these ratios, we gain a more accurate picture, because marginalized groups at the fringes of the labor market have especially high incarceration rates.[7]

If we include men in prison or jail, employment among black high school dropouts aged 20–35 declines from 46 to 29.3 percent in 1996. Furthermore, the adjusted employment ratios for black high school dropouts show steady decline over time, whereas conventional ratios show black employment as stable or even rising slightly.

The long-run effects are also serious. The incarceration of youth disrupts transitions from school to a career and hinders the acquisition of work experience. Ex-prisoners find it difficult to access jobs in the primary sector that offer opportunities for training, pay schedules that rise strongly with experience and age, and other characteristics of stable employment.[8] Instead, many ex-inmates find themselves stuck in low-wage job trajectories, confined to casual or illegitimate employment in the secondary labor market.

These kinds of disruptions materially affect earnings. In general, black ex-convicts earn about 10 percent less per hour than comparable men who were never incarcerated, after adjusting for such factors as work experience, schooling, youth delinquency, and drug use. They also have generally flat earnings profiles. My estimates suggest that, by 1998, the disproportionate incarceration of black men and the low-wage job trajectory of ex-inmates, taken together, had raised black-white earnings inequality by about 15 percent. Striking as they are, these results only partially capture the extent of disadvantage among young minority men. Incarceration figures alone understate the full reach of the criminal justice system, as Figure 2, which includes parole and probation figures, shows. These forms of supervision do not prevent men from working, but they may still influence employment opportunities. Criminal conviction in itself negatively affects employment and earnings.[9]

By the end of the twentieth century, the prison experience was routinely shaping the working lives of young, less-educated, minority men. Because their incarceration rates are so high, labor market and earnings statistics as conventionally measured may significantly understate the extent of racial inequality in employment. The evidence suggests that the U.S. prison system may be exercising a systematic influence on large-scale patterns of economic inequality. ■

## *Out of Wedlock*
### *Causes and Consequences of Nonmarital Fertility*

Edited by Lawrence Wu and Barbara Wolfe

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***Incarceration, unemployment, and inequality, continued***

[1]The issues discussed in this article are explored in B. Western and K. Beckett, "How Unregulated Is the U.S. Labor Market? The Penal System as a Labor Market Institution," *American Journal of Sociology* 104, no. 4 (1999): 1030–60, and B. Western and B. Pettit, "Incarceration and Racial Inequality in Men's Employment," *Industrial and Labor Relations Review* 54, no. 1 (October 2000): 3–16.

[2]See, for example, S. Boggess and J. Bound, "Did Criminal Activity Increase during the 1980s? Comparisons across Data Sources," NBER Working Paper no. 4431, Cambridge, MA 1993. The exception is homicide, for which American rates are very high, but homicide convictions account for fewer than 5 percent of all prison admissions.

[3]The unemployed are usually defined as those without paid employment who are actively seeking work in the month before the survey.

[4]S. Donziger, *The Real War on Crime: The Report of the National Criminal Justice Commission* (New York: Harper Collins, 1996), J. Irwin and J. Austin, *It's About Time: America's Imprisonment Binge* (Belmont, CA: Wadsworth, 1994), and J. Grogger, "The Effect of Arrests on the Employment and Earnings of Young Men," *Quarterly Journal of Economics* 110 (1995): 51–71.

[5]F. Wilson, M. Tienda, and L. Wu, "Race and Unemployment: Labor Market Experiences of Black and White Men, 1968–1988," *Work and Occupations* 22, no. 3 (1995): 245–70.

[6]J. Bound and R. Freeman, "What Went Wrong? The Erosion of Relative Earnings and Employment among Young Black Men in the 1980s," *Quarterly Journal of Economics* 107 (1992): 201–32.

[7]To obtain these estimates, we combine labor force data from the March CPS, 1982–96, with aggregate data on penal populations from the Bureau of Justice Statistics. Microdata from correctional surveys are used to estimate the proportions of individuals in three age-education categories, age 18–65, age 20–35, and age 20–35 with less than 12 years of schooling.

[8]M. Duneier, *Sidewalk* (New York: Farrar, Strauss, and Giroux, 1999), R. Sampson and J. Laub, *Crime in the Making: Pathways and Turning Points Through Life* (Cambridge, MA: Harvard University Press, 1993), J. Waldfogel, "The Effect of Criminal Conviction on Income and the Trust 'Reposed in the Workmen'," *Journal of Human Resources* 29 (1994): 62–81, and "Does Conviction Have a Persistent Effect on Income and Employment?" *International Review of Law and Economics* 14 (1994): 103–19.

[9]B. Western, "The Impact of Incarceration on Earnings and Inequality," unpublished paper, July 2000. See also Waldfogel, "Does Conviction Have a Persistent Effect on Income and Employment?"



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# *Out of Wedlock: Causes and Consequences of Nonmarital Fertility*

Papers from a 1999 conference, edited by Lawrence Wu and Barbara Wolfe

Out-of-wedlock childbirth was a major target of the welfare reforms given congressional sanction in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. Convinced that the steady rise in the numbers of children born to unmarried mothers was a consequence of previous welfare policies, the framers of the legislation used both stick and carrot, mandating that states act to reduce these numbers, and providing for incentives to do so. The federal government now awards $100 million annually to the five states that achieve the largest reductions in the proportions of births outside of marriage.

Trends in the indicator targeted by the 1996 act contain a number of puzzles. By the time the act passed, the rise in extramarital births had already leveled off. Since passage of the act, there has been little or no trend in the proportion of births outside of marriage, yet the proportion of nonmarital births remains high, and one out of every three births is still to an unmarried mother. Because of the high poverty levels of children living in households headed by never-married parents and because of continuing debate over the extent to which children's cognitive, emotional, and social development is enhanced if both parents are present in their lives, the causes, manifestations, and consequences of nonmarital childbearing demand serious scholarly attention.

In April 1999, the Institute for Research on Poverty sponsored a conference on nonmarital fertility. Its organizers had two goals: to provide a forum in which scientists from the disciplines of demography, economics, and sociology could jointly review the state of basic research on nonmarital fertility, and to offer objective information and analysis to the public and policy discussions of nonmarital childbearing. Papers from the conference have now been published by the Russell Sage Foundation as *Out of Wedlock: Causes and Consequences of Nonmarital Fertility* (see box opposite).

The conflicting trends in nonmarital fertility give rise to a host of vexing theoretical, methodological, and empirical issues. For instance, how do the trends in nonmarital childbearing differ by race or ethnicity, and among women of different ages? Are these patterns peculiar to the United States, or rooted in more widespread social forces? What has been the effect of the increasing time lag between the onset of sexual activity and entry into marriage, if any? How many nonmarital births actually involve births to cohabiting couples? How stable are such cohabiting relationships? To what extent are increases in nonmarital fertility a consequence of declining marital prospects for women, either before or after the birth of a child? What do we know about the fathers of the children born outside of marriage? Might child support payments by these fathers contribute substantially to child economic well-being? What is the importance of economic factors, such as the steady decline in male wages in the United States?

In bringing together the perspectives represented in this volume, the editors hope to show the way to a new, more interdisciplinary research agenda, even as they address questions central to social welfare policy: To what extent has welfare policy affected nonmarital childbearing, and how much is it the product of changed labor market opportunities for men and women? Do children of unmarried mothers face greater life challenges, and if so, what can be done to help them?


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# Income support for children in the United States

Daniel R. Meyer

Daniel R. Meyer is Professor of Social Work at the University of Wisconsin–Madison and an affiliate of the Institute for Research on Poverty.

Engaged in major reform of the way it provides financial assistance to families with children, the Canadian government helped finance Canadian scholars and scholars from the United States, the United Kingdom, and Australia to describe benefits for children in their countries and assess how the programs were working. This article, drawn from the report for the United States, briefly describes the various programs that provide assistance to U.S. families with children, considering them in the light of programs for children in the other English-speaking nations.[1]

Although the United States is not currently undertaking comprehensive review of the way benefits are provided to families with children, this is a particularly fitting time for such an examination, because of the radical changes in the U.S. social safety net and the expansions of child-related benefits in the tax code over the last five years. The role of the states in the design and provision of social programs was greatly expanded by the Personal Responsibility and Work Opportunity Reconciliation Act (1996), which gave each state block grants to design its own programs for low-income families under the general title of Temporary Assistance for Needy Families (TANF). Many states have thus begun to review and revise their social assistance policies and their income support programs for children.

In comparative work, the United States has often been called a "reluctant" welfare state, in which self-reliance and individual responsibility are emphasized over communal or corporate obligations. Children are typically seen as the responsibility of their parents, and not necessarily of society. The main role of the state is to provide opportunities through the educational system and to make sure that the labor market "works," for example, by setting and enforcing a minimum wage and regulating labor market practices.

Of course, if parents have great difficulty in the market, the state does come to their aid, but in a residual role that comes into force only when the "normal" systems of the labor market and family cannot function as expected. Thus government has provided cash benefits to families with children when parental disability, unemployment, death, or separation prevent them from relying on earnings. This system, as in many other countries, has two tiers. More generous benefits, through contributory social insurance, are provided to those who have strong previous connections to the labor force. Those who have little or no work history must meet income and asset tests to receive social assistance ("welfare").

The lower tier, welfare, has been far more controversial than social insurance. And among welfare programs, those providing cash assistance to single-parent families, such as the now defunct Aid to Families with Dependent Children (AFDC), have been more controversial than those providing cash to families with a disabled child (Supplemental Security Income, SSI) or than in-kind programs such as medical coverage, food coupons, or housing assistance.[2]

But government also has another role, a role that has not typically been emphasized. For over half a century now, it has provided indirect benefits to families with children through the tax system: families with children have paid lower income taxes than childless families with the same income. The main tax mechanism for this support has been the personal exemption for every individual in a family. Because the exemption is the same for children and adults, it is not generally seen as an explicit provision of benefits for children, but rather as a recognition of the lesser ability of families with children to pay taxes.

Taken together, the personal exemption in the income tax code and two other tax provisions, the Earned Income Tax Credit (EITC) and the federal Child Tax Credit, which was instituted in 1998, have combined to make the tax system the provider of the largest benefits to families with children. This aspect of the tax system will expand even further through several important changes affecting children in the tax cut legislation signed into law in June 2001. Under this legislation, for example, the existing Child Tax Credit will become broadly available to families with incomes below the tax-paying range (that is, it is "refundable").[3]

This article briefly reviews cash benefits and estimates their value to typical families with children, using data from 1999. In keeping with analyses in the other three countries, I take a relatively expansive view of benefits, considering tax expenditures as well as direct benefits. Taken together, these constitute the "child benefit system"—those features of the tax and benefit system that result in higher net incomes for families with children than for childless families.

## Universal benefits for children

The United States, unlike the United Kingdom, has no single program that provides income support for all chil-

dren. This type of children's allowance has periodically been discussed, but it has never been implemented here. Although most families with children receive some benefits beyond those received by families without children, these are delivered through a variety of different programs and tax provisions, with different eligibility rules and purposes.

## Tax-linked benefits

Through the income tax code, three programs provide benefits to children in which the amount received depends upon parental income, though not assets.

The *personal exemption* is deducted from income, and is of use only to those who have earned enough to pay taxes, that is, more than about $7,000 in the year. Moreover, since the tax rate is higher for those with higher incomes, the exemption is worth more to those with higher incomes (in higher tax brackets); its maximum cash value is about $1,000 per person.[4]

The *Child Tax Credit*, currently $500 per child, is deducted from taxes due. Under the new tax legislation it is scheduled to rise by stages to $1,000 in 2010.

The combined effect of these two benefits grows as income rises: families in the lowest income category receive nothing, because they are paying no taxes, those in a moderate-income range receive tax savings of up to $1,000 per child each year, and those with family incomes of, say, $100,000 receive about $1,500 in tax savings.

The *EITC* is the only one of the three main programs that was broadly refundable until the new tax bill was signed. The EITC was greatly expanded in the 1990s, and modestly expanded again under the new tax legislation.[5] Families who have no earned income receive nothing. The benefit rises with earnings, reaches a plateau at about $6,800 annual earnings (for a single child) then begins to decline once earnings reach about $12,500. Families with one child receive as much as about $2,000 and families with two or more about $3,500, relative to the credit for a low-income, childless taxpayer. The EITC is administered through the tax system; most families receive a check as part of their annual reconciliation of income taxes.

## Social assistance programs

### Temporary Assistance for Needy Families

Since the passage of federal welfare legislation in 1996, each state has been responsible for designing its own income support program for families with children, with very few federal constraints other than time limits (a lifetime maximum of five years of federal benefits, with some exemptions) and work requirements. Because of this great flexibility, TANF is more of a funding stream to states than an actual, uniform program. For an example of how it feeds into U.S. child benefits, I briefly explain the program in Wisconsin, where extensive redesign of cash assistance to needy families began before 1996, and programs are well advanced.

Receipt of benefits under the redesigned welfare program, Wisconsin Works (W-2), is conditional upon participation in work or "worklike" activities. Women are exempted from participation only if they have a child less than 13 weeks old. Benefits do not vary by family size. These provisions are intended as far as possible to mimic the "real world" of private-sector employment.

W-2 is built around a "self-sufficiency ladder" of four stages. Individuals at every stage receive case management and assistance in finding and keeping employment, including access to health care and help in securing and paying for child care and transportation. Those identified as most ready for work receive only these basic services from the agency and are expected to work full time at market wages. Those deemed somewhat less job-ready are placed in a subsidized "trial job" at market wage with a private employer (who receives the subsidy).

The only participants in W-2 who receive cash payments from the program, in addition to services, are those who are deemed not ready for employment. They occupy the two lowest rungs of the ladder. They may be placed in a Community Service Job, which pays a subminimum wage and does not qualify the worker for the EITC or other federal work-related supports such as social insurance. Those with the most serious barriers to work are assigned worklike activities that may include working at agencies providing employment to the physically or cognitively disabled, participating in treatment for alcohol or other drug dependency, or caring for their own child if the child is disabled.

### Supplemental Security Income

This income- and asset-tested federal program provides benefits to severely disabled adults and also to families with children that have severe disabilities. The federal benefit varies only according to the number of individuals with a disability; it thus provides nothing extra when an adult recipient has children. States can now provide supplements to these families; Wisconsin provides an additional $250 per month for the first child and $150 for each child thereafter.

## Social insurance entitlements

A child under 18 whose parent worked but is now disabled or dead is eligible for benefits through the federal Social Security program. The benefit is a percentage of the parent's previous earnings; percentages are higher

when earnings were lower. The number of children affects the family's benefit. The benefit is paid monthly and is uniform nationwide; verification procedures are limited and unintrusive.[6]

## Taking them all together

I calculated the total amount of child benefits from various sources for prototypical families living in Wisconsin. Figure 1A (p. 42) shows cumulative benefits for a family consisting of a sole parent and a child under age 5, Figure 2A (p. 43) for a two-parent, one-earner family with two children. The amount of benefits shown is not the total net amount received by the family, but the additional amount received by parents compared to nonparents; thus the calculation of the amount of child-related benefits is made by comparing post-tax, post-transfer income of these families with income for a single adult (for Figure 1A) and a childless couple (for Figure 2A) of the same income level.[7] For simplicity, I assumed that the families have no income other than earnings and benefits, file taxes by taking standard deductions, and pay nothing for child care.

I include five types of benefits:

1. Wisconsin Works (W-2). Because cash benefits are paid only to those not earning market wages, I assume the parent receiving W-2 services is working full time in a Community Service Job that pays about $8,000 a year. W-2 is unusual in that it does not have an earnings disregard, and so does not allow families to combine work and cash benefits.
2. The refundable federal EITC. In the one-child family, the child part of this benefit increases with each dollar earned, up to a plateau of about $2,000 at an income of about $6,800. For the two-child family, the child part of the benefit has a plateau of about $3,500 at an income of about $9,500.
3. The exemption for children and other features of the tax code. Single individuals begin owing taxes at about $7,000 of earnings.
4. The federal Child Tax Credit. This is of no value to those earning less than the sum of their relevant standard deductions and exemptions (for example, about $10,000 for a single mother and child).
5. Wisconsin state tax preferences for children. These are very small, reaching a maximum of $220 at $10,000 of earnings.

The figures demonstrate an unusual pattern as income rises. First, in both types of families, there is a very large drop in the amount of benefits for children as earnings increase from zero to $2,000. In the short term, the family would receive more benefits from W-2 than from sporadic, low-wage work.

Second, it is clear that the overall child benefit system is more focused on supporting earnings than meeting needs. For both types of family, benefits rise as earnings increase.

Third, the child benefit system is least generous to middle-income families. Minimum child benefits occur for the single-parent family when income is around $28,000 to $32,000, and for the two-parent family at incomes of $32,000 to $54,000. These families have incomes too high for them to receive benefits targeted at lower-income families but not high enough to give them much assistance from the tax system.

## Policy issues

The problems of equity that existed under the earlier program of last resort, AFDC, may intensify under TANF. Since each state may now design its last-resort benefits system, states may differ greatly in the benefits that are made available to similar families. And in some states at least, families with greater needs may receive no more help than families with fewer needs (e.g., the treatment of larger families in Wisconsin under W-2). It is difficult to assess the magnitude of these discrepancies because, under TANF, states are not required to evaluate the effects of the program changes they are introducing. The other, larger segments of the child benefit system have been subject to even less evaluation.

Within the benefits system itself, there are also inequities, as Figures 1a and 2a make clear. Why, for example, should upper-income and lower-income single parents receive benefits per child that are so much greater than those for middle-income single parents?

The United States shares some key policy issues with other developed countries, particularly the other main English-speaking countries (see accompanying article). How to balance work incentives and income support, and how to respond rapidly to changes in family circumstances remain vexatious questions here as elsewhere. But two issues are particularly salient in the U.S. system, with its strong employment emphasis; both relate to the characteristics of the low-wage labor market.

First, the Unemployment Insurance system bases eligibility for benefits on substantial recent employment in the regular employment sector. The system covers a diminishing proportion of the unemployed, in part because part-time and temporary jobs have become more common and employment therefore more sporadic, in part

because work opportunities for many low-skilled individuals occur outside the regular sector. How should the social insurance system be adapted to fit this new economy and integrated with other benefits for children?

Second, employers in low-wage sectors rarely offer ancillary benefits that are not even universal among employers in the primary sector—health coverage to employees and their families, sick leave, pensions, and "family-friendly" policies like on-site child care and flexible hours.

In 1999, after years of sustained economic expansion, 16.9 percent of U.S. children remained poor, according to the official poverty measure. This is the highest poverty rate among children in any developed nation. Comparisons with policies in other countries, including those described in the accompanying article, suggest that greater benefits or work supports for low-income families with children would be likely to lower the rate of child poverty. Developing affordable, high-quality services that support working families will be an ongoing challenge to American policymakers. ■

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[1]See D. Meyer, "Benefits for Children: The United States," in *Benefits for Children: A Four Country Study*, ed. M. Mendelson and K. Battle (Ottawa: Caledon Institute of Social Policy, 2001). The Joseph Rowntree Foundation also provided funding for this project. The accompanying article, "Cash for Kids," reviews policies in the other three countries and compares them with U.S. policies.

[2]All of these programs are larger than programs that provide cash. See J. Scholz and K. Levine, "The Evolution of Income Support Policy in Recent Decades," *Focus* 21, no. 2 (Fall 2000): 9–15.

[3]Previously, a family with three or more children received a refundable child credit to the extent that the employee share of Social Security taxes plus individual income taxes exceeded the family's earned income tax credit up to the full amount of the child credit.

[4]Additional amounts of support for children are hidden within other deductions and brackets. One example: single individuals receive a standard deduction of $4,300 (in addition to the exemption); single parents receive $6,350.

[5]The maximum EITC payment is pushed out from about $13,000 in income to about $16,000, according to the *Milwaukee Journal-Sentinel*, June 3, 2001.

[6]Unemployment Compensation, another social insurance program, does not provide different benefits to parents and nonparents in most states, so it is not reviewed here.

[7]Food Stamps (excluded because it is not a cash benefit) is an important part of the safety net for low-income families. At low-income levels, Food Stamps adds a child benefit worth about $1,200 a year.

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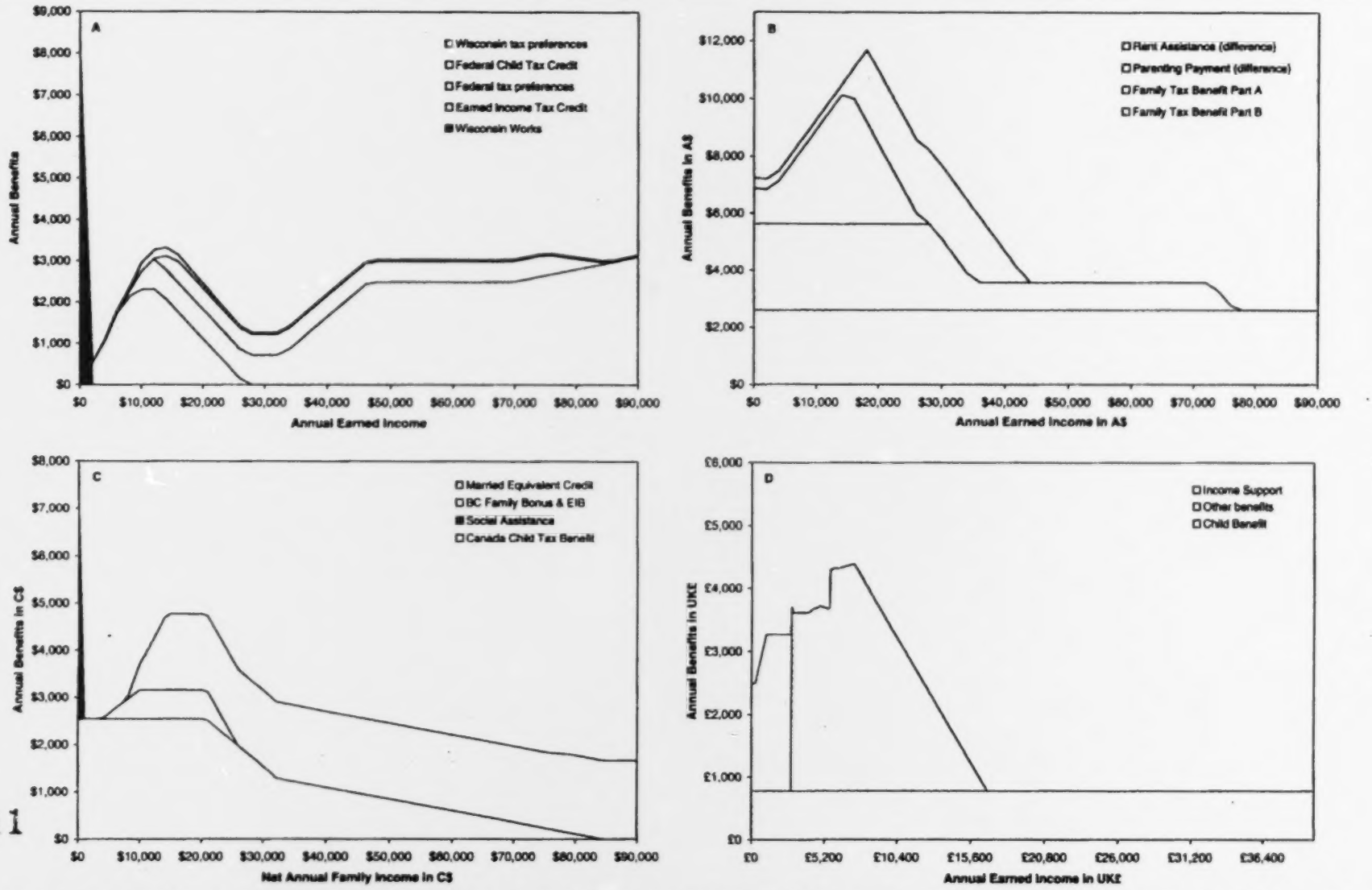


**Figure 1. Cumulative child benefits for a single-parent family with one preschool child (difference method): A. United States/Wisconsin. B. Australia, private renter, post July 2000. C. Canada/ British Columbia. D. United Kingdom, 2000–01.** 1999 OECD Purchasing Power Parity (PPP) equivalences: U.S.$1 was equal to A$1.30, C$1.17, and U.K.£0.67. (PPP is the amount of money in each national currency needed to buy a common basket of goods and services.)



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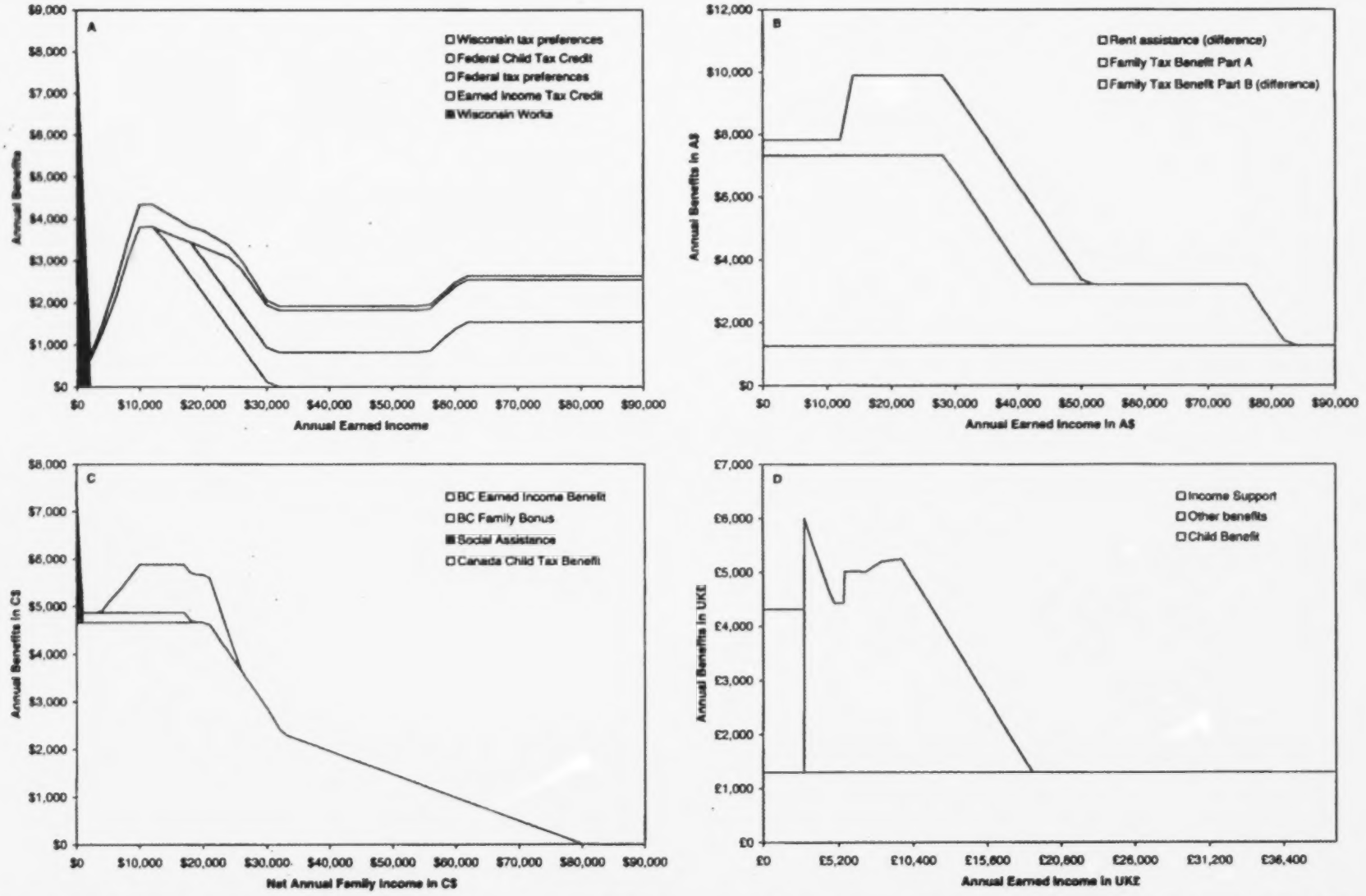


**Figure 2. Cumulative child benefits for a single-earner family with two parents, two children, one a preschool child (difference method): A. United States/Wisconsin. B. Australia, private renters, post July 2000. C. Canada/British Columbia. D. United Kingdom, 2000–01.** 1999 OECD Purchasing Power Parity (PPP) equivalences: U.S.$1 was equal to A$1.30, C$1.17, and U.K.£0.67. (PPP is the amount of money in each national currency needed to buy a common basket of goods and services.)

# Cash for kids in four countries: Child benefits in Australia, Canada, the United Kingdom, and the United States

Child poverty has been persistent and extensive in the four main English-speaking countries, where it is higher than in all other industrialized nations except for Russia and Italy.[1] These four countries also have high percentages of single-parent families, which in general face greater economic hardship than two-parent families. In the later 1990s, about 15 percent of families with children in Canada, 21 percent in Australia, 25 percent in the United Kingdom, and 27 percent in the United States were headed by single parents.[2]

In this article we briefly examine benefit programs for children in Australia, Canada, and Great Britain and compare them with the U.S. benefit structure described by Daniel Meyer in the accompanying article. New benefits specifically for children have been or are being introduced in all four countries. But these programs cannot be discussed in isolation from the rest of each nation's income security system, which may contain substantial additional benefits for children. Our comparisons therefore consider benefits for children delivered either as cash or as income tax reductions. We discuss broader income security and other social programs, such as various in-kind benefits, as necessary to explain the context. These other programs may also materially benefit children; thus we offer here only a partial picture of the *whole* support system for children in each country.[3]

Our purpose in this undertaking was emphatically not to rank systems and judge which is "best." It was to understand what each country was doing about child benefits by focusing on the programs themselves, in sufficient depth and detail to be useful to policymakers and administrators.

Until the 1970s, income benefits paid on behalf of children in all four countries were typically embedded within other programs such as social assistance or unemployment insurance, were universal payments to every family with children, or were hidden as exemptions within the income tax system. Thereafter, new, income-tested programs specifically directed toward families with children began to evolve: the Earned Income Tax Credit (EITC) in the United States, the Family Income Supplement in the United Kingdom, the refundable child tax credit in Canada. In Australia, tax assistance to families was "cashed out" and benefits increased. Child poverty nevertheless remained high in all four countries and benefits for those on social assistance were sometimes much greater than for working parents. In three countries—Great Britain, Canada, and Australia—an attempt to reduce the depth of child poverty and to minimize barriers to work became the prime impetus for comprehensive reforms of child benefits that are now under way.[4] The essence of these reforms is to provide the same child-related benefits for families that are working as for those that are on assistance—in short, to "integrate" child benefits into a single program specifically for families with children, regardless of their work status, rather than to pay differing child-related benefits throughout the whole spectrum of programs.

In marked contrast to these developments in the other English-speaking countries, child benefit programs in the United States, which has the highest child poverty rate, remain unintegrated. For example, eligibility for social assistance ("welfare") in the United States is to a large extent determined by the *existence* of children (childless, able-bodied adults have been increasingly excluded), but

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the receipt of that assistance is both limited in time (a maximum of five years by federal law) and generally conditioned upon work. The United States is also the only one of the four countries to retain significant tax preferences, as opposed to tax credits, for families with children.

## Comparing social programs for children

In attempting to make cross-national comparisons, we encountered a number of difficulties. Even though the four countries share a common linguistic and historical heritage, there are many differences in terminology and structure. For example, the term "welfare" generally means the entire social security system in the United Kingdom and Australia, but has a much narrower meaning (the income security program of last resort) in Canada and the United States. Each country uses somewhat different definitions of net income, and taxes are differently calculated and administered. We were, nonetheless, able to construct a common quantitative model to calculate child benefits; it permits a deeper level of detailed, comparative review across countries than would otherwise be possible.

Even within the limits that we set, it proved surprisingly difficult to develop a consistent working definition of "child benefits," and we ended up using two definitions. The first defined child benefits as income benefits *formally designated* to help pay for children's expenses. The second examined the *difference* between what a household of a given income level receives with and without a child. The "designated benefit" approach may represent more accurately the intentions of the designers of income security programs. The "difference" method may more accurately capture the complex interrelations among programs with varying objectives, designs, and delivery mechanisms, and it is the method used in the construction of Figures 1 and 2, on pages 42–43.

To take an example (the amounts are hypothetical): a single, childless individual in a Canadian province might get $500 a month from social assistance, whereas a lone parent might get an adult benefit of $700 and a benefit of $100 that is designated for the child. Under the first definition, the child's benefit would be $100 per month. Under the second definition, the child's benefit would be the difference between what a single adult gets with a child and what the adult gets without a child—in our hypothetical example, $300.

In comparing the value of benefits across countries, we converted the different currencies to U.S. dollars using the 1999 Purchasing Power Parity (PPP) equivalences established by the OECD. PPP is the amount of money in each national currency needed to buy a common basket of goods and services. In 1999 U.S.$1 was equal to A$1.30, C$1.17, and U.K.£0.67.

## What are the major child benefit programs?

In Australia, Canada, and the United Kingdom, programs for children are at the heart of comprehensive reform. The main programs are:

- in Australia, Family Tax Benefit Parts A & B;
- in Canada, the federal Canada Child Tax Benefit;
- in the United Kingdom, the universal Child Benefit and the Integrated Child Credit that is proposed to be introduced in 2003;[5]

Each country acknowledges that society has an interest and obligation to help parents with their children. Each makes different tradeoffs between two interrelated goals: vertical equity (antipoverty measures directed at lower-income families) and horizontal equity (fair treatment of families with children compared to childless families, at all income levels). The first of these goals recognizes that, in a market economy, family earnings may not match family needs, the second that families with children face costs that childless families do not.

### Australia

In Australia, responsibility for income support policy rests almost entirely with the federal government, not with the states. Unlike most other countries in the Organisation for Economic Co-operation and Development (OECD), Australia has never had a contributory social security system; all benefits are financed from general tax revenue.[6] In the absence of contributory benefits, the means-tested system must perform functions that in other countries are performed by social insurance. To be politically tenable, it must embrace a majority of the population. Maximum benefits are flat rate rather than earnings-related, and income and asset tests are fairly generous. For example, a single parent with one child under 5 currently receives a benefit package equivalent to around 60 percent of average female earnings, and income support benefits (not including the payments for children) end at around 90 percent of average female earnings. A single parent would have assets of around A$270,000, not including the family home, before she lost entitlement to benefits.

Emphasizing redistribution to low-income families as a function of the benefits system, the federal government over the last quarter-century moved assistance for families out of the tax system, first cashing out general tax assistance, then income-testing this assistance while substantially increasing benefits to low-income families.

This system was effective at reducing child poverty, but exposed families to very high marginal tax rates. Despite explicit efforts to enhance work incentives, Australia in the mid-1990s had one of the highest levels of nonemployment among couples with children of any OECD country. In addition, single parents also had a relatively

low level of employment and a comparatively high level of benefit coverage.

In July 2000 the Australian system of assistance for families with children was reformed as part of a broader reform of the taxation system.[7] The changes simplified payments by combining 12 preexisting forms of assistance into three new programs: Family Tax Benefit Part A, which assists with the general costs of raising children, Family Tax Benefit Part B, which is directed to single-income families, and Child Care Benefit.[8] Notably, payments for low-income families not working and for those who are working have been largely integrated, making it possible for families to move from welfare to work with minimal disruption in their receipt of family payments.

Tax Benefit Part A is a two-tier payment to most families with children up to 20 years old; there is a higher rate for lower-income families, both those in work and those receiving income support. The maximum rate is paid to families with an annual family income of A$28,200 or less. The minimum rate for a family with one child under 13 years is reached at an annual income of A$35,050, and the minimum payment is reduced to zero when family income reaches A$73,000.[9] Tax Benefit Part B is universal for single parents; two-earner families receive full benefits only if the secondary earner's income is below A$1,616 per year, and it is thus primarily a benefit for families with one earner.

**Canada**

In Canada, the system of child benefits outside of social assistance and other income security programs was originally in part universal and in part an exemption built into the tax system. Changes began in the 1980s and culminated in 1993, when a number of child and family allowances and tax credits were collapsed into a single, income-tested Child Tax Benefit that increased payments for working poor families with children, maintained benefits for other low-income families, and reduced or eliminated payments to middle- and higher-income families.

The Child Tax Benefit is changing as a result of reconfigurations introduced in 1998 but at present has a rather complex two-tier structure. As in Australia, it is very broadly targeted, encompassing about 80 percent of families. Beginning in July 2001, the basic benefit will pay a maximum of C$1,117 per year for a child under age 18, plus C$221 for children under age 7. Maximum payments go to families with net incomes under C$32,000; above this income level, payments are reduced by 2.5–5 percent of income, ending when net family income rises above about C$76,000. The definition of net income allows substantial deductions; families with gross incomes thousands of dollars above the maximum still qualify for some benefit.

The National Child Benefit Supplement, for low-income families only, is in addition to this basic benefit. In 2001, the supplement pays a maximum of C$1,255 for the first child, C$1,055 for the second child, and C$980 for each additional child, phasing out above net family income of C$21,744 and ending once income reaches C$32,000.

By increasing the basic Child Tax Benefit, raising the income threshold for maximum payments, and eventually lowering the rates at which payments are reduced, the federal government may boost payments for nonpoor families and extend their reach even higher up the income ladder. The goal of these changes would be to enhance the horizontal equity of the benefit, which had been eroded by earlier changes, and thereby to reinforce the inclusive, nonstigmatizing nature of the program.

In Canada's highly decentralized federation, federal and provincial governments share power almost equally over social policy. Under the National Child Benefit reforms, provincial and territorial governments are expected (though not required) to reduce their existing social assistance expenditures on behalf of children to take into account these increasing federal expenditures. If they do, they must "reinvest" such savings in other programs and services for low-income families with children. Previous provincial social assistance benefits for children were essentially programs of last resort, available only to those who had exhausted all other sources of income—in other words, "welfare" as understood in the United States.

All provinces and territories, except Prince Edward Island, now offer income-tested child benefit programs and/or earnings supplements for families with children that are aimed primarily at reducing poverty. Most were created under the National Child Benefit reforms, and utilize the same model of a diminishing refundable tax credit.

**United Kingdom**

Confronting the highest rate of child poverty in the European Union, the current Labour government is engaged in major reforms of the structure and level of financial support offered to children. The British welfare state, the government argues, now faces very different conditions from those prevailing in 1945 when the system was designed. It must be reconstructed to support employment rather than replace wages, helping people to obtain work and ensuring that they have adequate incomes when working.

There are currently three main types of support for children in the United Kingdom: universal, income-tested, and a miscellany of contributory and noncontributory benefits.[10]

The United Kingdom is the only one of these four countries that has a universal benefit for children regardless of the income of the parents; its existence is based on the recognition that all parents face additional costs and re-

sponsibilities when their children are growing up and that society in general benefits from their efforts. Child Benefit starts at the birth of the child and is higher for the first than for subsequent children.

Income-tested benefits are more complex. Although they potentially serve all families, not just families with children, the amounts paid usually vary with the number and sometimes the age of any children. These benefits are subdivided into three main groups according to the employment status of the claimant: (1) Income Support and Jobseekers Allowance for those not working or working very little (i.e., less than 16 hours per week); (2) Working Families Tax Credit and Disabled Person's Tax Credit (at least one adult in the family must be working more than 16 hours per week); (3) Housing Benefit and Council Tax Benefit, for working or nonworking people.

The amounts received in all these benefits are calculated on the basis of net income, although the definition of income varies among programs in sometimes confusing ways. For example, Child Benefit counts as income for Income Support and Jobseekers Allowances. Amounts received under different benefits vary according to family income, family size, and (for housing benefits) the level of the rent or council tax. Benefits for nonworking people are based on an assessment of current weekly income from interviews and are paid either weekly or every two weeks. Entitlement continues as long as eligibility is maintained. Benefits for working people are designed to be simpler in structure and administration, and are awarded for a fixed period of time, regardless of change in income or circumstances. Working Families Tax Credit, for example, is in effect for a period of 26 weeks.

From the 1970s on, the tax system included no recognition of the cost of raising children, in contrast to tax policies in the other three countries. But in April 2001, the government instituted a Children's Tax Credit, which reduces the tax bill for families with earnings above the tax threshold. About 9 out of 10 taxpaying households with children will ultimately qualify for the benefit, but it is merely an interim measure. In 2003 it is to be replaced with a new Integrated Child Credit, which will bring together the child components of several existing programs, such as Income Support/ Jobseekers Allowance and the Working Families Tax Credit, with the Children's Tax Credit to create a single system of support for children, regardless of the working status of their parents.

The Integrated Child Credit will be paid in addition to the existing universal Child Benefit Allowance. It has a relatively simple profile: single-parent families with one child and gross earnings under about £13,200 will receive about £2,500 in total; a couple with two children and earnings under £12,500 will receive about £4,400. At higher income levels the benefit will be reduced, stepwise, until it runs out completely at gross earnings of about £40,000. These amounts are based on current benefit levels, and so the actual levels of the Integrated Child Credit may be higher or lower, depending on what the government of the day decides. In practice, much of the effect of this new benefit will depend upon the details of its interactions with adult benefits and housing-related benefits, and these are still unclear.

## The scope of benefits

### Benefits for one-parent families

Figure 1 (p. 42) shows child benefits for a one-parent family with one young child in Australia, Canada, the United Kingdom, and the United States. These figures use the "difference" method, so show the difference in net income (post-tax, post-transfer) for families with children compared to families of the same income level without children. In the two unitary systems, Australia and the United Kingdom, high benefit reduction rates cause rapid declines in benefits as income rises. This results from the need to limit costs in countries that offer relatively generous payments to lower-income families. The maximum benefit for children in Australia is equivalent to about U.S.$5,700, and in the United Kingdom, about U.S.$3,700. In both countries there are fairly long plateaus, where the benefit does not change with income.

The tax preferences built into the U.S. system and into the Canadian system for single parents with children produce a markedly different profile of benefits. The U.S. benefit structure is unique in providing low or no payments to families with low income;[11] in Canada, the Child Tax Benefit pays equal amounts to all low-income families, whether they are on social assistance or in the workforce. When the tax system comes into play (at incomes of around U.S.$7,000–8,000), benefits rise steeply in both countries and then as steeply decline; the decline begins at around $15,000 in the United States and about U.S.$18,800 in Canada. In Canada the increase in benefits at the beginning of the tax system is entirely due to the "Married Equivalent" tax credit, which provides a single parent with the same credit for the child that would be available for a dependent spouse.[12]

Both the United States and Canada have lower benefits than Australia and the United Kingdom; the maximum benefit in the United States is about $3,000 and in Canada it is about U.S.$3,300, including about U.S.$1,370 for the Married Equivalent tax credit.

In both countries, tax-delivered child benefits extend income tax savings to upper-income families. In Canada, benefits continue to decline as income levels increase, with the exception of the Married Equivalent credit. But in the United States, the decline ends when annual income reaches about $32,000; at that point, mostly because of preferences embedded in the tax system, ben-

efits start to increase again. As a consequence, U.S. child benefits for single-parent families with incomes around $80,000 are roughly three times greater than benefits in any of the other countries. Because the median U.S. income for female-headed, single-parent families is about $20,000, most such families will actually receive lower child benefits than comparable families in Australia, Canada, or the United Kingdom.

### Benefits for two-parent families

Figure 2 (p. 43) shows benefits for two-parent families. In the United Kingdom and Australia, child benefits extend into the upper income ranges, and the pattern of benefits for two-parent families shows the same steep decline as it did for single-parent families. Australia pays benefits to these families if only one of the adults is working. Canada does not pay benefits to high-earning, two- parent families.[13]

Once again, the American child benefit system is unique. It provides relatively little for the poorest, relatively high benefits for a narrow range of the working poor, less for middle-income groups, and more for high-income families.

### State and provincial programs

Income security programs in the United Kingdom and Australia, as earlier noted, are operated exclusively by the national government. In Canada, there are provincial supplements. In the United States, 15 states and the District of Columbia provided supplements to the EITC in 2000.[14]

How significant are these supplements? In British Columbia, for example, provincial programs increase benefits by over 20 percent for single-parent, one-child families with incomes ranging from about C$10,000 to C$20,000. In Wisconsin the state Earned Income Tax Credit adds a small amount to the credit for one-child and two-child families, and more generous amounts to three-child families.[15]

## Administering the child benefit programs

In a fully integrated child benefit system, child-related payments are made independently of other social welfare benefits; they are not included in social assistance programs nor in income security programs such as unemployment insurance. In such a system, social assistance programs base their payments on the assumption that families entitled to child benefits are receiving the maximum amount that they are due and that these benefits are paid in a timely and responsive way.

Traditional last-resort assistance programs have handled the need for responsiveness to income change by frequently testing recipients' incomes and by maintaining a delivery system that can respond rapidly to small changes in circumstances, such as reduced hours of work or increases in rent. But the price of this responsiveness has been program administration based on continual detailed reporting and constant checking. In Canada and the United States, the intrusive and investigative nature of social assistance administration has contributed to the high level of stigma attached to such programs.

Integrated child benefits are generally distributed to a much wider group of families than last-resort programs, and frequent income-testing would be expensive, impractical, and politically unacceptable. But if the determination of income is to be simple and nonintrusive, how are integrated child benefits to respond immediately and effectively to changed family needs?

The United States, Canada, and Australia employ the income tax system to test incomes for child benefit purposes. In the United States and Canada, the payment is based upon the income of the tax year being reported, that is, the previous year; it may thus reflect circumstances a year or more out of date. The EITC in the United States is paid retrospectively, usually as a single lump payment.[16] Those who become working poor during the year and thus eligible for the EITC must wait until the next year before receiving the credit. The EITC is not an integrated child benefit, and the responsiveness dilemma is "solved" by not using it to deliver benefits to families with no income.

In Canada, the amount of the tax benefit is determined on the basis of the previous year's income, but then divided by 12 and paid monthly. Midyear change is permitted if family composition changes, for instance, through divorce or the birth of a child. Families whose income drops drastically during the year may receive increased provincial benefits up to the maximum federal Child Tax Benefit—the provinces thereby act as a backup to the federal government. Those with more moderate income losses must wait until they file their next tax return.

Australia has the most fully integrated child benefit system of all countries in the study. In 2000, the nature of the income test for Family Benefit Part A was changed. If the new system works as expected, it will go far toward resolving the issue of responsiveness. Those families that want child benefit payments now estimate income *prospectively*. Payments will be made on the basis of that estimate and reconciled on the tax form at the end of the year, when actual income is reported.[17]

The United Kingdom has still to decide what mechanism to use in income testing for the Integrated Child Credit. Traditionally the government has relied upon frequent reporting of income.

## Conclusions

There are several points where the child benefit structures in all four countries converge. For example, all end

the first phase of child benefits at annual income of around U.S.$28,000 for sole-parent families with one child and U.S.$30,000 for two-parent families. But the differences are striking, particularly when we compare how the countries reconcile the sometimes competing, fundamental objectives of vertical and horizontal equity.

In the United Kingdom, a central goal of current policy is the elimination of child poverty within 20 years. If implemented as proposed, the new system will pay substantial benefits to low-income families and meaningful, though lower, benefits to families at middle and higher incomes. Yet the structure of the system, with its long plateaus and sharp descents, makes for weaker equity; many families with different incomes will receive similar amounts. This is one of the costs of having a less detailed and responsive income test. Australia faces some of the same issues of equity as the United Kingdom. Canada, less generous in its payments to low-income families than the United Kingdom and Australia, is not so successful in addressing horizontal equity, because it pays relatively less to middle-income families and little or nothing to high-income families.

In its unique design, the U.S. child benefit system reflects a very different philosophy of income security, one focused almost entirely on employment. Its child benefits system is designed mainly to strengthen families' ties to the labor market and to recognize the horizontal equity claims of taxpaying parents. The system is counter-redistributive, with large payments to upper-income families and very little to those with no earned income. Often overlooked in discussion, tax preferences play a very important role in the U.S. child benefits system, as the accompanying article by Meyer shows. This role has been recognized in the other three countries, which publicly debated the regressive effects of their tax preferences and ultimately replaced them with progressive, income-tested benefits for children. ■

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[1]By the criteria used in the Luxembourg Income Study, the industrialized countries with the two highest child poverty rates are Russia (26.6 percent in 1995) and the United States (26.3 percent in 1994). See B. Bradbury and M. Jäntti, "Child Poverty across the Industrialised World: Evidence from the Luxembourg Income Study," in *Child Wellbeing, Child Poverty and Child Policy in Modern Nations*, ed. K. Vleminck and T. Smeeding (Bristol: Policy Press, 2001), pp.11–32.

[2]Figures for Australia are for 2000, for Canada, 1996, for the United Kingdom for 1998, and for the United States, 1999.

[3]For example, the EITC in the United States is less generous than the child benefit programs of the other countries, but the U.S. food stamp program provides significant additional benefits to the low-income population. Australia, Canada, and the United Kingdom, but not the United States, have some form of universal health care.

[4]See, for example, D. Piachaud and H. Sutherland, "How Effective Is the British Government's Attempt to Reduce Child Poverty?" Innocenti Working Paper 77 (Florence: UNICEF Innocenti Research Center, 2000).

[5]Because the final configuration of the Integrated Child Credit has not yet been decided, we show child benefits based on current rates.

[6]A mandatory private retirement scheme introduced in 1992 will take many years to mature.

[7]The July 2000 changes began to reverse earlier trends and once again provide substantial assistance through tax mechanisms rather than through cash, although it remains to be seen how many will choose the tax payment.

[8]The Child Care Benefit is not studied in detail in the report. It provides a maximum level of assistance for 50 hours of approved care per week of A$120. Families with incomes below A$28,200 are eligible for the maximum rate, depending on age and circumstances of the child. Benefits are reduced at higher income levels, although even families with incomes above A$81,000 are eligible for the minimum benefit of A$20.10 per week.

[9]Family income is defined as the combined gross taxable income of both spouses, where there are two.

[10]Those receiving long-term National Insurance benefits, such as widows' benefits, invalidity pensions, and retirement pensions, may receive increases in respect of children.

[11]The figure shows benefits in Wisconsin, where generally families must choose between welfare and work (i.e., there are no earned-income disregards within W-2). This makes the W-2 line fall very steeply. In other states, the decline would be more gradual.

[12]Although the Married Equivalent credit is a child-related benefit according to the strict application of the difference method, it might be argued that it is not truly a child benefit because it is primarily meant to provide tax equity for single parents.

[13]These families are not entitled to the Married Equivalent credit for their children. Single-earner families with a dependent spouse get a spousal credit regardless whether there are children in the family, so this cannot be considered a child-related benefit.

[14]*Untapped Potential: State Earned Income Credits and Child Poverty Reduction*, Research Brief 3, National Center for Children in Poverty, New York, NY, 2001.

[15]The Wisconsin EITC benefit is 4 percent of the federal amount for families with one child, 14 percent for families with two children, and 43 percent for families with three or more children.

[16]Recipients may choose a monthly payment, but fewer than 1 percent do so each year.

[17]Families may receive payments biweekly or as a lump sum on the tax return. Benefits can be adjusted and families can also switch from the lump-sum to the biweekly payment if income changes during the year.

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# United States poverty in a cross-national context

Timothy Smeeding, Lee Rainwater, and Gary Burtless

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Policymakers in most industrialized countries share common concerns about family well-being and poverty, but *measuring* poverty is an exercise that has been largely confined to the English-speaking countries; few continental European nations routinely do so.[1] The United States in particular has a long tradition of measuring income poverty and weighing the effectiveness of government policies aimed at poverty reduction. Yet U.S. analysis rests on an inherently parochial foundation, for it is based on the experiences of only one nation.

Until fairly recently, it has been extremely difficult to compare U.S. poverty rates and policies with those of other nations. It is still not particularly simple or straightforward, but data being assembled by the Luxembourg Income Study (LIS), an international cooperative research project, make such comparisons more feasible.[2] This article uses LIS data to compare absolute and relative rates of U.S. poverty with those of other industrialized nations, and considers some implications for U.S. antipoverty policy.[3]

For American voters and policymakers, much can be learned about antipoverty policy from cross-national comparisons. Although per capita income in the United States is 30 percent higher than the average for the other nations in our study, its rate of absolute poverty is also very much higher—13.6 percent, compared with the average of 8.1 percent for the other countries considered. The child poverty rates seem particularly troublesome. In most rich countries, that rate is 8 percent or less. In the United States, it was 14.7 percent in 1997, according to the criteria we have established in this article. (The official U.S. poverty rate for children under 18 was 19.9 percent in 1997.)

## Measuring poverty across national borders

There is no international consensus on guidelines for measuring poverty, but considerable informal agreement on the way to go about it:

- Poverty is almost always seen as a relative concept, generally set at 50 percent of national median income. In this article we use the 50 percent standard and also use 40 percent of median income as a relative poverty threshold, because it is closest to the ratio of the official U.S. poverty line to median U.S. pretax cash income (about 42–43 percent in 1994 and 1998).
- Poverty measurement is based on the broadest income definition that still preserves international comparability: disposable cash and noncash income—that is, money income including refundable tax credits, all cash transfers, and near-cash transfers such as food stamps and housing allowances; only taxes are deducted.
- The household is the single best unit for income aggregation in international studies, and the person is the unit of analysis; household income is assumed to be equally shared among individuals in the household.

## Absolute poverty

Only a handful of cross-national studies have used an "absolute" poverty line. In the United States, a poverty threshold for an absolute measure was established by calculating the minimum resources needed to purchase a basket of goods that were considered "necessary" by an expert panel. The threshold is then adjusted only for changes in aggregate prices over time; thus it remains, in real terms, constant.

To estimate absolute poverty rates in different countries, researchers must convert national currencies into units of equal purchasing power, or "purchasing power parity" (PPP) exchange rates. In principle, the PPP rates permit us to estimate the amount of money needed in country A to purchase the same bundle of consumption goods in country B. Comparison is still problematic, because PPP rates were devised to permit accurate comparison of aggregate national output, rather than the disposable incomes or private consumption of lower-income families. PPP rates are appropriate for comparing market baskets of aggregate consumption, including health care, education, and housing. But these goods are paid for in different ways in different nations. In most countries, health care, some housing, child care, and education are more generously subsidized by government than they are in the United States, and household disposable incomes therefore reflect the fact that those costs have already been

subtracted (as taxes). Since the United States provides lower than average amounts of noncash benefits, some might argue that U.S. rates of absolute poverty are understated, whereas poverty rates in Northern European countries which provide high levels of tax-financed health care and education benefits are likely to be always overstated.

"Absolute" poverty measures are always in some sense relative; they must be appropriate to the context in which they are used. For instance, the World Bank defines absolute poverty in Africa and Latin America using an income threshold of $1 or $2 a day; in Central Europe the Bank uses a threshold of $2 or $3 per day. The U.S. poverty line, in contrast, is 6 to 12 times higher. The World Bank poverty thresholds are obviously too low for use in rich countries in the Organisation for Economic Co-operation and Development (OECD). At the other extreme, Scandinavian countries have "minimum income standards" that are set at 60 percent of median national income, roughly 40 percent higher than the official U.S. poverty line.

In Table 1, we compare the U.S. household poverty rate to absolute poverty rates in other nations, using as our threshold the U.S. poverty line. We use PPP rates developed by the OECD for 1994 or 1995, and translate household incomes in countries for which we have reliable data into U.S. dollars. The United States has the third highest poverty rate, 13.6 percent, behind only Australia and the United Kingdom.[4] Since these two countries have much lower per capita incomes, their higher poverty rates are hardly surprising. But nearly all the countries in Table 1 have per capita incomes and absolute poverty rates lower than the United States. This suggests that among rich nations the distribution of income is as important as average income in determining poverty rates. Poor countries can have lower poverty rates than rich ones if their income distribution is compressed; rich countries can have higher poverty rates than poor ones if their incomes are more unequally distributed.

**Table 1**
**Absolute Poverty Rates for OECD Nations in 1994 and 1995, Using the U.S. Poverty Line**

| Nation | Poverty Rate (%) | GDP per Capita in 1995[a] |
|---|---|---|
| Australia | 17.6 | $21,459 |
| United Kingdom 1995 | 15.7 | 18,743 |
| United States | 13.6 | 27,895 |
| France | 9.9 | 20,192 |
| Canada | 7.4 | 22,951 |
| Germany[b] | 7.3 | 21,357 |
| Netherlands | 7.1 | 21,222 |
| Sweden 1995 | 6.3 | 19,949 |
| Finland 1995 | 4.8 | 18,861 |
| Norway 1995 | 4.3 | 23,316 |
| Overall Average | 8.6 | $22,956 |

**Sources:** Authors' calculations from LIS; OECD, "Purchasing Power Parities for OECD Countries, 1970–1999," 2001, <http://www.oecd.org/std/pppoecd.xls>; T. Smeeding and L. Rainwater, "Comparing Living Standards across Nations: Real Incomes at the Top, the Bottom, and the Middle," unpublished paper, prepared for the Levy Institute Conference on the Quality of Life in America and Other Advanced Industrialized Nations, Annandale-on-Hudson, NY, June 6–7, 2001.

**Notes:** Poverty is measured using the official U.S. poverty line and equivalence scales. All country data are for 1994 unless otherwise indicated. OECD purchasing power parities are used to convert the U.S. poverty line. See OECD, *Social Expenditure Database 1980–96* (Paris: OECD, 1999).

[a]Amount in 1995 U.S. dollars using OECD purchasing power parities.

[b]All of Germany, including western and eastern Länder.

## Relative poverty

Relative poverty can be simply enough defined as "having less than others in the society." In our analysis of relative poverty we use the most common threshold for within-country comparisons—50 percent of median income—but we also use a 40 percent threshold because, as

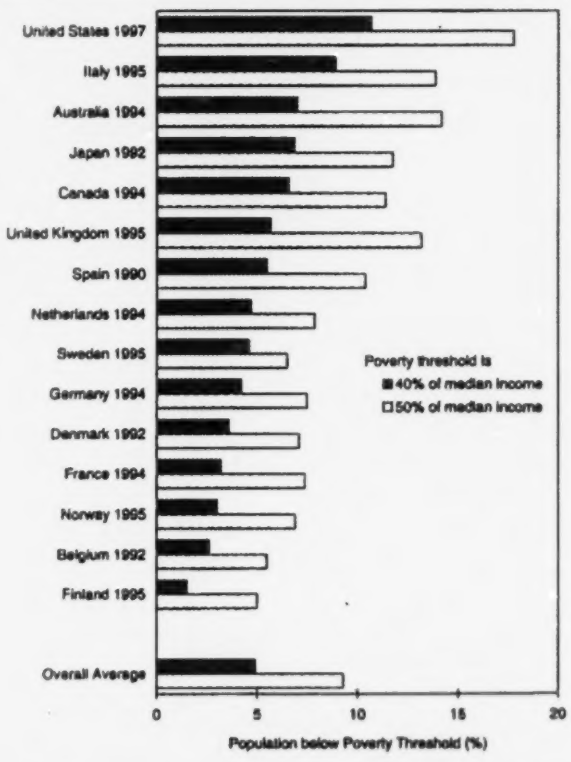


**Figure 1. Relative poverty rates of industrialized nations in the 1990s.** Poverty is measured as a percentage of median adjusted disposable personal income (DPI) for individuals. Incomes are adjusted for household size (S) by a family size equivalence scale (E=0.5), where adjusted DPI = actual DPI/$S^E$.

**Source:** Authors' tabulations of LIS files.

noted above, it is comparable to the U.S. poverty line. Figure 1 shows relative poverty rates in 15 nations, using both thresholds. "Deep" poverty in the United States stands out very clearly even when the poverty threshold is set at 40 percent of median income. At this level, over 11 percent of the U.S. population is poor.

Higher poverty rates are found in countries with a high level of overall inequality (the United States, Italy), in geographically large and diverse countries (United States, Canada, Australia), and in countries with poorly developed national welfare states (Spain, Japan). Low poverty rates are more common in smaller, well-developed, and high-spending welfare states (the European Union, Scandinavia) and in countries with more generous unemployment insurance, social policies supporting single mothers and working women, and high minimum social assistance payments.

Poverty rates computed using gross household market income (before taxes and transfers) do not differ among countries so much as those calculated using net income (after taxes and transfers). Higher levels of government spending, as in Northern Europe, and more careful targeting of government transfers on the poor, as in Canada, produce lower post-transfer poverty rates.[5] Countries with an egalitarian wage structure tend to have lower rates of child poverty, in part because the relative poverty rate among working-age adults is lower when wage disparities are small.

Relative poverty rates can vary across age groups within a nation as much as they do across nations (Figure 2). Overall, child poverty rates are about 0.5 of a percentage point higher than the national average, but in the United States and Italy, both high-poverty countries, they are 4–5 percentage points higher. In the low-poverty countries of the European Union and Scandinavia, they are usually equal to or less than adult rates. Using the 40 percent threshold, the child poverty rate is 14.7 percent in the United States versus 1.3 percent in Sweden.

The elderly stand in the greatest contrast to other groups (Figure 2). Using the 40 percent threshold, their rates are in general lower than the average. Among the countries considered, only the United States and Australia have a poverty rate for the elderly higher than 10 percent. Poverty rates for the elderly in Canada, 1.2 percent, are far below the rates for children and working-age adults.

The poverty rate of the elderly is, however, particularly sensitive to the income cutoff used to determine poverty. If we raise the poverty threshold from 40 to 50 percent of median income, the average (unweighted) poverty rate for the elderly rises from 4.5 to 11.6 percent in the countries considered in Figure 2. This increase is the largest for any group. It suggests that social protection systems for the elderly often provide income guarantees

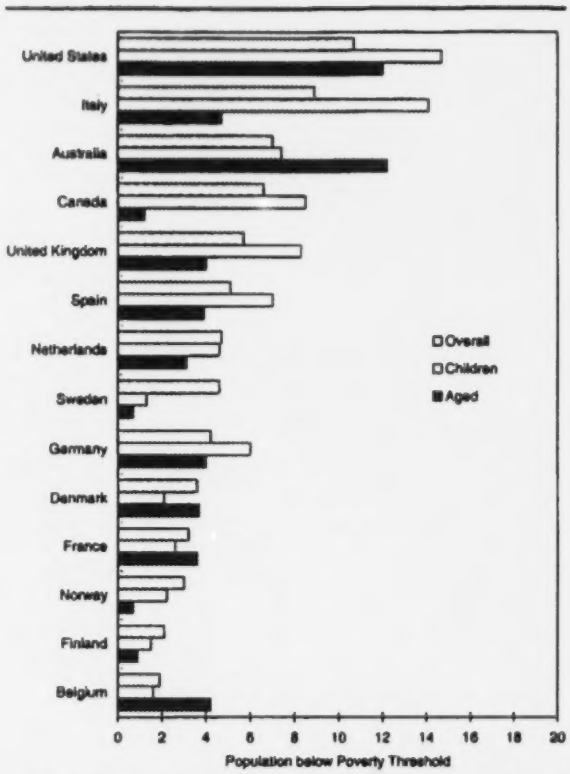


**Figure 2. Poverty rates in of industrialized nations, by age, in the 1990s.** Poverty is measured at 40 percent median adjusted disposable personal income (DPI) for individuals. Incomes are adjusted for household size (S) by a family size equivalence scale (E=0.5), where adjusted DPI = actual DPI/$S^E$. Germany includes both the western and the eastern Länder. Japan is not included because it does not have separate rates for children and the elderly.

Source: Authors' tabulations of LIS files.

that are no more than 40–50 percent of median income and that many elderly fall into the "near-poor" category.

## Some correlates of poverty

Poverty and inequality are higher in the United States than in some countries with similar (and even with much lower) average incomes. An American citizen whose income is in the lowest 10 percent of the U.S. income distribution has an adjusted disposable income that is just 34–38 percent of U.S. median income. This is 5–7 percentage points lower than a similarly placed citizen in any other nation discussed here.

The low-income population is larger in the United States than in these other nations for two main reasons: low market wages for those with few skills and limited public benefits. Figure 3 shows a strong association between low pay and national poverty rates. A substantial fraction of the variation in poverty rates appears to be accounted for by the variation in the incidence of low pay. The


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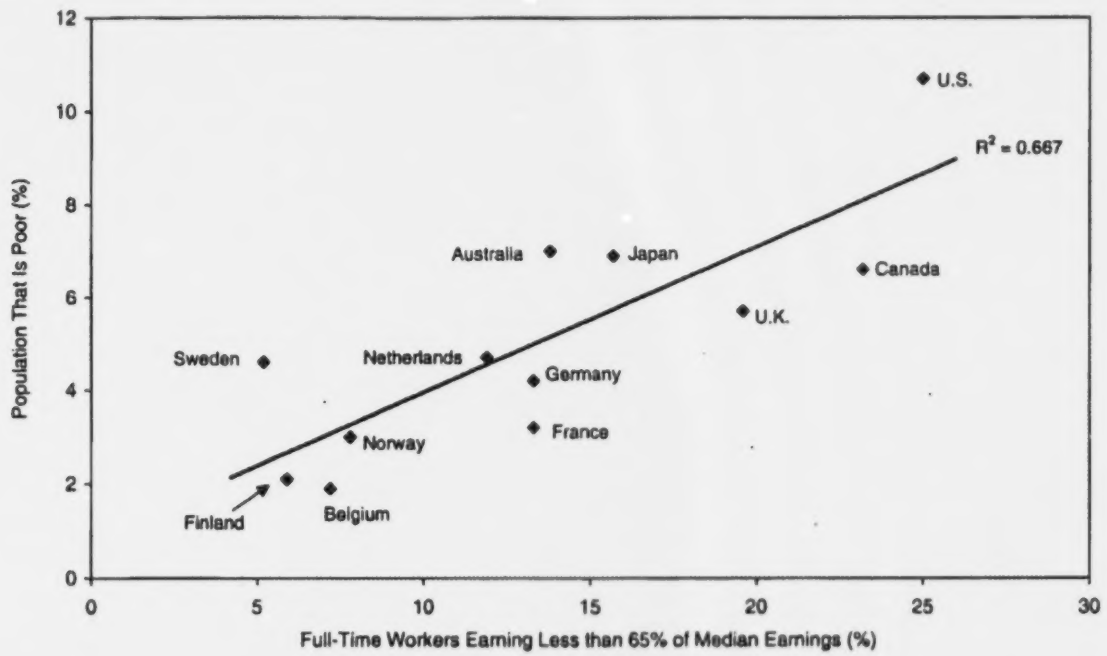


**Figure 3. Relationship of low pay and poverty rates in industrialized countries in the 1990s.** Countries with values above the diagonal line have higher poverty rates than are predicted by the incidence of low relative wages; countries below the line have lower poverty rates.

**Source**: OECD, "Employment Outlook 1996," *OECD Employment Outlook* 59 and 60 (June and December 1996) and authors' tabulations of the LIS data files.

United States has the highest proportion of workers in relatively poorly paid full-time jobs; it also has the highest poverty rate. Canada, in contrast, has a lower poverty rate than its unequal wage distribution would lead us to expect.

Low pay, however, is not the only reliable predictor of poverty rates. Social spending clearly affects the prevalence of poverty. Figure 4 correlates child poverty rates with the fraction of each country's gross domestic product that is spent on cash and near-cash social transfers to the nonaged. Measured in this way, higher social spending is correlated with lower child poverty rates.

Different patterns of social spending can produce different effects—antipoverty and social insurance programs are in many respects unique to each country (see, for example, the article on p. 44 of this *Focus*). The United States differs from most nations that achieve lower poverty rates because of its emphasis on work and self-reliance for working-age adults, regardless of the wages workers must accept.

As long as the United States relies almost exclusively on the labor market to generate incomes for working-age families, changes in the wage distribution that affect the earnings of less-skilled workers will inevitably have a big effect on poverty among children and prime-age adults. For over a decade U.S. unemployment has been well below the OECD average. Continued tight labor markets can help reduce poverty as the wages received by less-skilled workers are bid up. The strong economy, coupled with a few specific antipoverty devices such as the expanded Earned Income Tax Credit and increases in the minimum wage, has produced most of the reduction in U.S. poverty over the last few years.

But there are two important limits to reliance on the labor market only. First, not all of the poor can be expected to earn their way out of poverty. Through low wages alone, single parents with young children, disabled workers, and the unskilled will continue to face significant challenges in earning a comfortable income. Second, in recessions, declines in employment and hourly wages are likely to be particularly severe for low-wage workers. Many single mothers have become breadwinners as a result of the welfare reforms of the last decade, but the same reforms make it possible that those who lose their jobs in the next recession will be ineligible for cash public assistance at the same time that most will be ineligible for unemployment compensation.

The relationship between antipoverty spending and poverty rates is complicated, so these simple correlations are at best suggestive. U.S. poverty rates are high, yet so is U.S. economic performance. Carefully crafted public

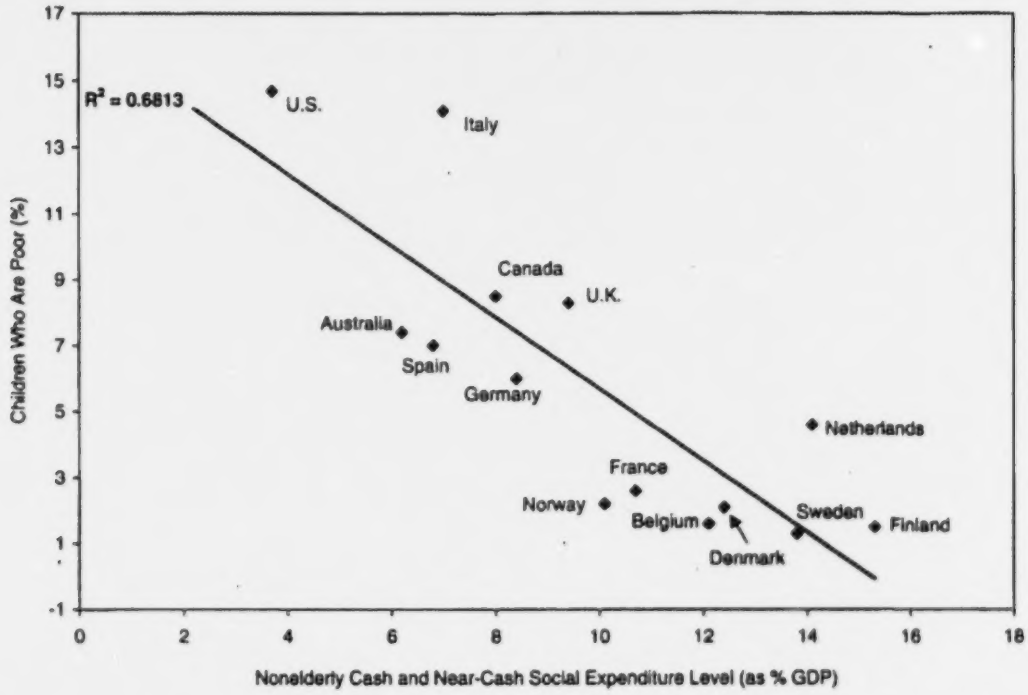


**Figure 4. Relationship of cash social expenditures and child poverty rates in industrialized countries in the 1990s.** Countries with values above the diagonal line have higher poverty rates than are predicted by social expenditures, countries below the line have lower poverty rates.

Source: OECD, Social Expenditure Database 1980–96 (Paris: OECD, 1999), and authors' tabulations of the LIS data files. Cash and noncash social expenditures exclude health, education, and social services, but include all forms of cash benefits and near-cash housing subsidies, active labor market program subsidies, and other contingent cash and near-cash benefits. Nonelderly benefits include only those accruing to household heads under age 65.

policy can certainly reduce American poverty, yet it also has costs, among them, perhaps, a higher unemployment rate and slower economic growth. The direct and indirect costs of antipoverty programs are now widely recognized, and sometimes overstated, in public debate. Yet in light of the low rates of poverty achieved elsewhere it is hard to argue that the prosperous United States could not do more to help the poor, particularly those who are employed. ■

[1]In most of these countries, social programs would ensure a low rate of poverty under any reasonable set of measurement standards. See A. Björklund and R. Freeman, "Generating Inequality and Eliminating Poverty—The Swedish Way," in *The Welfare State in Transition: Reforming the Swedish Model*, ed. R. Freeman, R. Topel, and B. Swedenborg (Chicago: University of Chicago Press, 1997).

[2]The Luxembourg Income Study is described in detail on the study's World Wide Web site, <http://www.lis.ceps.lu/>. International bodies such as the United Nations Children's Fund, the OECD, and the European Statistical Office have published cross-national studies of poverty in recent years. The large majority of these studies use the LIS database, which now contains almost 100 household income data files for 25 nations covering the period 1967 to 1997.

[3]The article summarizes a section of a chapter, "United States Poverty in Cross-National Context" that will appear in *Understanding Poverty*, ed. S. Danziger and R. Haveman, forthcoming from Harvard University Press and the Russell Sage Foundation, and containing papers presented at the IRP conference, Understanding Poverty: Progress and Problems, Madison, WI, May 2000.

[4]Because the definition of income and income-sharing unit that we use differs from that used by the U.S. Census Bureau, the absolute poverty rate we calculate for the United States in 1994, 13.6 percent, is somewhat below the Bureau's official poverty rate for the year (14.5 percent).

[5]H. Kim, "Anti-Poverty Effectiveness of Taxes and Income Transfers in Welfare States," LIS Working Paper no. 228, Center for Policy Research, Maxwell School, Syracuse, NY, March 2000.


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